



**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 2022**

**and**

# **Report of the Board of Auditors**

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





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Commissioner for Refugees**

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United Nations • New York, 2023

*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 2023 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 2022, certified and approved in accordance with article 11.3 of those rules ([A/AC.96/503/Rev.11](#)).

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 2022:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All accounting records and related information have been made available for the purposes of your audit, and all of the transactions that occurred in the financial period have been properly reflected in the financial statements and recorded by the organization in the accounting and other records.
2. The financial statements are prepared and presented in accordance with:
  - (a) The International Public Sector Accounting Standards (IPSAS);
  - (b) The Financial Regulations of the United Nations;
  - (c) The financial rules for voluntary funds administered by the High Commissioner for Refugees;
  - (d) The accounting policies of the organization, as summarized in note 2 to the financial statements.
3. The 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 as at 31 December 2022 to be collected.
6. All known accounts payable and accruals have been included in the financial statements.

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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 2022, 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 2022 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 2022 that necessitate revision of the information presented in the financial statements.

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

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

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**Letter dated 26 July 2023 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 2022.

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

## Chapter I

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

#### **Opinion**

We have audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, which comprise the statement of financial position (statement I) as at 31 December 2022 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 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

#### **Basis for opinion**

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

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

The United Nations High Commissioner for Refugees is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2022 and the statement of internal control, both contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

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

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

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

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

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

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

## **Auditor's responsibilities for the audit of the financial statements**

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

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

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the voluntary funds administered by the United Nations High Commissioner for Refugees;

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

(d) Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast

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

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

### **Report on other legal and regulatory requirements**

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

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

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

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

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

26 July 2023

## 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 2022. 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 2022 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 2022, the total revenue increased by 16 per cent compared with 2021. Nevertheless, the response to the Ukraine crisis explains a large part of this increase, and as a result of accrual accounting, the net assets include donor commitments and agreements made for future years, which have no immediate impact on liquidity.

In 2022, UNHCR responded to protracted displacement and new crises. According to its own analysis, UNHCR faced 52 new emergencies (against 40 in 2021) in 32 countries, with conflict being the main driver of forced displacement. The overall estimate for persons forced to flee, including displaced persons returning home, was 113 million, against 92 million the previous year (a 23 per cent increase). UNHCR facilitated the deployment of security personnel to numerous emergency missions, notably in Afghanistan, Ethiopia, Iraq, Lebanon, the Republic of Moldova, Somalia, the Syrian Arab Republic and Ukraine. In this context, according to its financial report, UNHCR provided protection to some 13 million displaced people, including more than 5 million children, as of June 2022.

Four supplementary budgets were established during the course of 2022 to respond to unexpected contingencies with high impact: \$1,417.8 million in support for the situation in Ukraine; \$233.9 million in response to the critical humanitarian needs of internally displaced persons in Afghanistan; \$59.6 million in response to the emergency in Cameroon and Chad; and \$10.0 million in response to the monsoon floods in Pakistan.

#### **Financial overview**

Total revenue amounted to \$6,072.6 million, an increase of \$818.4 million (16 per cent). Voluntary contributions represented 98 per cent of total revenue, amounting to \$5,931.4 million, an increase of \$744.2 million (14 per cent), including \$1,478.4 million for the Ukraine crisis. Without taking that crisis into account, the funds available (as budget estimates of the cash available or expected during the year) decreased by \$327.9 million between 2021 and 2022.

Expenses amounted to \$5,361.7 million, an increase of \$669.4 million (14 per cent). The increase resulted mainly from increases under cash assistance to beneficiaries (\$315.0 million), salaries and employee benefits (\$150.6 million), implementing partner expenses (\$83.0 million) and travel expenses (\$35.8 million).

The 2022 surplus, after taking into account the effect of foreign exchange, amounted to \$588.2 million, compared with a surplus of \$464.5 million in 2021.

UNHCR maintains a high level of current assets to meet its current liabilities. However, the strength of its current assets is significantly weakened by the inclusion of \$1,297.4 million in donor agreements made for future years. Constraints with regard to earmarked resources also remain: from 2021 to 2022, the increase in both unrestricted and softly earmarked funds was equivalent in proportion to the increase in revenue.

Furthermore, dependence on a limited number of donors remains high, as one donor provided 37 per cent of all contributions in 2022 and 10 donors provided more than 70 per cent.

### **Key findings**

#### **Finance and budget**

##### *Presentation of statement of financial position regarding the Staff Benefits Fund*

The UNHCR statement of financial position (statement I) departs from paragraph 95 of IPSAS 1: Presentation of financial statements and paragraphs 8 and 65 of IPSAS 39: Employee benefits, as the employee benefits fund balance offsets the associated liabilities rather than showing a cash position. This issue was noted in 2019 in the Board's report for year ended 31 December 2018 (A/74/5/Add.6). In response to the respective audit observations, and in line with paragraphs 31 and 32 of IPSAS 1, UNHCR decided to state in the financial statements for 2022 that it exceptionally departs from the requirements resulting from the combination of paragraph 95 of IPSAS 1 and paragraphs 8 and 65 of IPSAS 39 to comply with its internal financial rules that deviate from these standards.

However, the Board considers that, beyond technical aspects regarding IPSAS compliance, the current presentation does not reflect in statement I, but in the notes to the financial statements only, two major facts:

(a) The Staff Benefits Fund, as at 31 December 2022, is a positive reserve amounting to \$737.7 million (and not a "negative reserve" of \$351.2 million) and, correspondingly, the accumulated surplus amounts to \$2,765.1 million (and not \$3,854.1 million);

(b) The assets of the Staff Benefits Fund are not "ring-fenced" from other UNHCR assets, as the Staff Benefits Fund is not a legally separated "long-term employee benefit fund" as defined in paragraph 8 of IPSAS 39. The decision to establish this fund does not imply that it is available to be used only to fund employee benefits, since they remain available to the reporting entity's own creditors.

##### *Comparison of budget and actual amounts*

The Board considers that UNHCR further improved the comparison of budget and actual amounts (statement V and note 7) by addressing all the requirements of IPSAS 24: Presentation of budget information in financial statements. In previous financial statements, this comparison was not made between available budget resources and actual expenses, as required by IPSAS 24, but between the "approved needs-based assessment", built on an estimate of the needs of UNHCR as reviewed and approved by the Executive Committee of the Programme of the United Nations High Commissioner for Refugees, and actual expenses. The introduction of the last estimate of available funding by management for the year corresponds to the definition of an "approved budget" for the purposes of paragraph 7 of IPSAS 24.

*Inventories and consumables*

Several weaknesses were found in the accounting for stocks, inventories and consumables. In particular, the Board noted (a) some shortcomings in the calculation method for the capitalized freight costs; and (b) the use of the same identifiers for items that are sometimes different in nature, which does not allow for a reliable valuation of the average costs.

*Employee benefits liabilities*

The Board notes that the respective responsibilities of UNHCR and its external actuary in the performance of key controls on complex parameters, such as assumptions, census data and the sensitivity analysis, need to be clearly defined. The considerable financial amount related to post-employment benefits requires a more structured approach to monitoring.

*Property, plant and equipment accounting*

The Board is of the view that some assets are probably overvalued: an impairment should be assessed at year-end for vehicles kept over a long period in a global stockpile warehouse before being dispatched ("long in transit" status) in order to comply with IPSAS 21: Impairment of non-cash-generating assets.

*Internal control*

Regarding the statement of internal control process, the Board is of the view that the self-assessments issued by each country office should be cleared by regional bureaux, as they have an in-depth knowledge of the strengths and weaknesses of the entities under their oversight, before being forwarded to headquarters.

The Board also considers that the statement of internal control and the enterprise risk management policy processes would benefit from enhanced coordination and information-sharing in order to focus on the most useful needs, in terms of oversight and accountability, and lighten the burden on managers.

*Access rights to the enterprise resource planning system*

User access provisioning, deprovisioning and periodic review in the Managing Systems, Resources and People (MSRP) information technology system were not thoroughly performed by UNHCR. The Board is of the opinion that key controls on these processes should be implemented.

**Risk management***Maturity of risk management*

UNHCR risk management has achieved a high level of maturity.

However, significant margins for improvement remain, in particular with regard to the effectiveness and consistency of risk management in the field, as follows:

- (a) The online risk register tool has been consistently upgraded and is now a valuable device for risk management, but the usefulness of managing the lowest risks is uncertain;
- (b) The added value of regional bureaux in risk management could be improved through multi-country or regional reporting;
- (c) The key objective of integrating risk management into the operational cycle has not yet been fully achieved;

(d) Greater consistency is also needed among operations with regard to the prioritization of risks and the practice of risk escalation.

#### *Appetite for risk*

Beyond the preparation of a corporate risk appetite statement, which is well under way, experimenting with rolling out and operationalizing this type of tool at the country level requires a robust methodology adapted to diverse environments.

### **Procurement**

#### *Updating rules*

UNHCR procurement is monitored by a set of rules that have recently been consolidated and updated. Nevertheless, some shortcomings still need to be addressed to improve effectiveness and efficiency. They concern notably:

(a) In normal situations, the significantly increased threshold for formal solicitation, raising the risk of the principles of best value for money and of fair competition not being abided by, as well as of fraud and corruption;

(b) In situations of emergency, the submission of contract awards for review by the regional committee on contracts.

#### *Strengthening leadership and expertise*

Managing procurement involves strategic leadership at the highest level, going beyond technical day-to-day considerations.

UNHCR also needs to reinforce its expertise on procurement, to ensure that at each level of management – headquarters, regional and country – the needs in terms of functions related to procurement are precisely identified and the proper initial and continuing training is in place.

#### *Enhancing planning and monitoring*

The UNHCR practice of procurement planning appears to suffer on the one hand from weak monitoring of the existing tools, notably the country-level “consolidated procurement plans”, and on the other hand from a lack of more comprehensive purchase planning, allowing for anticipation of the needs of each entity and the development of tools to monitor those entities and better align with budgetary processes.

#### *Reallocating procurement responsibilities*

UNHCR still needs to fine-tune the definition of the level – global, regional or country – at which procurement appears to be the most relevant and efficient.

#### *Better linkages with inventory management*

UNHCR has difficulties in making the best use of its stocks and avoiding unnecessary purchases or waste. More systemic and automated checks need to be set up to ensure effective linkages between procurement and inventory management.

#### *Managing risks related to procurement*

UNHCR has recently clarified the oversight function of its regional bureaux. A decisive step will now be to implement this new framework and effectively empower the regional bureaux as the second “line of defence” in the management of risks related to procurement. Among other things, they will become fully accountable for

their reporting on the quality of procurement planning and management at the country office level and take all relevant measures to help mitigate the critical risks identified. Meanwhile, the country offices also need to strengthen their “first line of defence” internal controls on risks, especially on procurement that is not covered by their committees on contracts.

#### *Ensuring compliance*

A number of weaknesses concerning the compliance of UNHCR procurement practices with applicable rules have been identified, related to the absence of purchase order management, inadequate documentation to support payments, and contract award processes departing from the principles of fairness, transparency, best value for money and the interests of the organization, as well as incomplete information being provided to the members of committees on contracts.

#### **Main recommendations**

The Board has made 17 new recommendations on the basis of its audit. Details on how they can be implemented are provided throughout the report, notably in the paragraphs immediately following each recommendation. The main recommendations are that UNHCR:

#### **Finance and budget**

##### *Inventories*

- (a) **Apply specific inventory identifiers, instead of generic ones, for items that are not similar in nature;**
- (b) **Take the opportunity of the new Cloud ERP system to improve the quality of the freight costs calculation;**

##### *Employee benefits liabilities*

- (c) **Issue a policy on employee benefits liabilities valuation describing the controls attributable respectively to UNHCR and its actuary;**

##### *Property, plant and equipment accounting*

- (d) **Record all necessary impairments through an annual review of all assets older than one year, especially of vehicles held in three warehouses (Chon Buri, Thailand, Dubai, United Arab Emirates, and Rotterdam, Kingdom of the Netherlands);**

##### *Internal control*

- (e) **Enhance the role of the regional bureaux in the internal control process;**

##### *Access rights to the enterprise resource planning system*

- (f) **Secure all access rights in its new enterprise resource planning system, taking into account the segregation of duties and changes in employee positions;**

## **Risk management**

### *Maturity of risk management*

(g) **Ensure more consistency in the way risks are reviewed and can be escalated at the level of regional bureaux, and reassess the level of monitoring needed on the less critical ones;**

### *Appetite for risk management*

(h) **Adopt, as a complement to the issuance of its corporate risk appetite statement, a consistent methodology for defining internally its tolerance for operational risks at the field level;**

## **Procurement**

### *Updating rules*

(i) **Revise the 2021 procurement framework by (i) lowering the threshold for formal solicitation to ensure effective monitoring and oversight of procurement actions; and (ii) addressing key loopholes, particularly in terms of planning, training and staff qualifications;**

### *Strengthening leadership and expertise*

(j) **Enhance strategic leadership on procurement at the highest level and allocate as efficiently and effectively as possible the procurement activities to be carried out at the country operation, regional bureau and headquarters levels;**

### *Enhancing planning and monitoring*

(k) **Define and implement a prioritized demand and supply plan for each entity, and define tools and additional mechanisms to monitor procurement throughout the year;**

### *Better linkages with inventory management*

(l) **Develop a more systemic approach in the way that procurement and inventory management are linked;**

### *Managing risks related to procurement*

(m) **Strengthen the role of the second “line of defence” in key internal controls on procurement processes, including at the regional level;**

### *Ensuring compliance*

(n) **Regularly undertake a review of the most frequent cases of non-compliance in procurement identified by the relevant procurement review authority, and put in place appropriate measures to tackle the root causes of those weaknesses, in order to improve the oversight of procurement processes at all levels.**

## **Follow-up of previous recommendations**

Out of 77 outstanding recommendations, 31 have been fully implemented (representing 40 per cent of outstanding recommendations, compared with 54 per cent in the report for 2021) (see annex).

**Key facts**

<b>\$10.71 billion</b>	Final budget based on a global needs assessment
<b>\$6.18 billion</b>	Available funds
<b>\$6.07 billion</b>	Revenue reported (including \$1.30 billion for future years)
<b>\$5.36 billion</b>	Expenses incurred in 2022
<b>113 million</b>	People forced to flee
<b>20,739</b>	UNHCR global workforce (including 5,032 affiliates)
<b>135</b>	Countries and territories of operation, with offices in 530 locations

**A. Mandate, scope and methodology**

1. In 2022, the Office of the United Nations High Commissioner for Refugees (UNHCR) provided protection and assistance to approximately 113 million people forcibly displaced<sup>1</sup> within or outside their countries of origin. It is a devolved organization with more than 20,000 staff working in 530 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 2022 has been characterized by protracted displacement and new crises responding to 52 new emergencies in 32 countries. UNHCR facilitated the deployment of security personnel to numerous emergency missions, notably in Afghanistan, Ethiopia, Iraq, Lebanon, the Republic of Moldova, Somalia, the Syrian Arab Republic and Ukraine. Against this backdrop, UNHCR provided protection to some 13 million displaced people, including more than 5 million children, as of June 2022.

2. UNHCR is funded almost entirely through voluntary contributions, representing \$5.93 billion out of a total of \$6.07 billion in revenue. Recognized revenue from donor agreements included \$1.30 billion relating to future years. Total expenses were \$5.36 billion in 2022.

3. The Board of Auditors audited the financial statements of UNHCR and reviewed its operations for the financial year ended 31 December 2022 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 and the International Standards of Supreme Audit Institutions providing guidelines for the financial audit of public sector entities.

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 2022 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

<sup>1</sup> The total number of forcibly displaced people (113 million) is an estimate and encompasses refugees, asylum-seekers, other people in need of international protection and internally displaced persons. It includes refugees and other displaced people not covered by the UNHCR mandate and excludes other categories such as returnees and non-displaced stateless people.

in accordance with the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4 and ST/SGB/2013/4/Amend.1) and the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.11). 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, procurement and risk management.

6. During the course of the audit, the Board visited UNHCR headquarters in Geneva and the Global Service Centre offices in Budapest. The Board audited six country offices located in Egypt, the Niger, Romania, Kenya, Malaysia and Colombia. 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 notes that, out of 77 outstanding recommendations at the end of 2021, 31 have been implemented (representing 40 per cent of all outstanding recommendations, compared with 54 per cent in the report for 2021), 41 are under implementation (53 per cent) and 5 have been overtaken by events (7 per cent). One recommendation from 2018 is considered as overtaken by events. Its treatment is further explained in paragraph 35 below, in the section of the present chapter on the presentation of the statement of financial position regarding the Staff Benefits Fund.

8. Out of the 41 recommendations that are still under implementation, 27 relate to the 2021 audit, 7 to 2020 and 7 to 2019. Details of the status of implementation of the 77 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>
2018	3	2	–	–	1
2019	11	4	7	–	–
2020	10	2	7	–	1
2021	53	23	27	–	3
<b>Total</b>	<b>77</b>	<b>31</b>	<b>41</b>	<b>–</b>	<b>5</b>
Percentage	100	40	53	–	7

Source: Board of Auditors.

## 2. Financial overview

9. Net assets increased by 37 per cent, to \$3.87 billion, in 2022. Accumulated fund balances and reserves amounted to \$3.85 billion (2021: \$3.36 billion) and included cash and investments of \$2.31 billion (2021: \$1.84 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 \$1.30 billion in donor agreements made for future years (see chap. IV, para. 24). 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 2022	31 December 2021	31 December 2020	31 December 2019	31 December 2018
Current ratio <sup>a</sup> (current assets: current liabilities)	8.4	8.0	9.0	7.9	9.5
Total assets: total liabilities <sup>b</sup>	3.6	2.6	2.6	2.7	3.4
Cash ratio <sup>c</sup> (cash + investments: current liabilities)	4.5	4.2	4.3	3.7	4.0
Quick ratio <sup>d</sup> (cash + investments + short-term accounts receivable: current liabilities)	6.9	6.7	7.6	6.7	8.1

Source: UNHCR financial statements.

<sup>a</sup> A high ratio indicates an entity's ability to pay off its short-term liabilities.

<sup>b</sup> A high ratio is a good indicator of solvency.

<sup>c</sup> 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.

<sup>d</sup> 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 2022, total revenue increased by \$818.4 million. Voluntary contributions represented 97.7 per cent of the total revenue of UNHCR (2021: 98.7 per cent). Voluntary contributions increased by 14.3 per cent, to \$5,931.4 million (2021: \$5,187.2 million). The voluntary contributions revenue related to the Ukraine crisis amounted to \$1,478.4 million. The comparison of funds available between 2022 and 2021 without considering the Ukraine crisis showed a decrease of \$327.9 million.

12. Expenses (excluding foreign exchange gains/losses) increased, by 14.3 per cent, or \$669.3 million, and amounted to \$5,361.7 million (2021: \$4,692.4 million). The result from foreign exchange decreased by \$25.3 million owing to foreign exchange losses of \$122.7 million (2021: foreign exchange losses of \$97.4 million), resulting in a surplus of \$588.2 million, compared with a surplus of \$464.5 million in 2021.

13. Main expense increases pertained to cash assistance to beneficiaries (\$315.0 million), salaries and employee benefits (\$150.6 million), implementing partner expenses (\$83.0 million) and travel expenses (\$35.8 million), and generally all categories increased in 2022. The increase in cash assistance to beneficiaries was attributable to the Ukraine emergency (\$425 million), as decreases were noted in Greece (\$55 million), Yemen (\$39 million) and other areas affected by the Syrian crisis. The increase in salaries and employee benefits was mainly attributable to the growth in the number of staff (10 per cent), which affects wages as well as staff allowances and entitlements. The increase in implementing partner expenses is

mainly due to the emergency operations in Ukraine (\$36 million) and neighbouring countries (Republic of Moldova (\$13 million) and Poland (\$11 million)). In Asia, an increase was noted in Afghanistan (\$29 million) and the Islamic Republic of Iran (\$18 million). The largest decrease occurred in Greece (\$23 million). The increase in travel is mainly attributable to a general growth in activity owing to the lifting of restrictions on movement related to coronavirus disease (COVID-19) and the increase in air fares across the sector.

14. Similar to prior years, about 70 per cent of the voluntary contributions is derived from a limited number of top donors (10). One of those top donors accounted for 37 per cent of all contribution revenue as at 31 December 2022.

15. Nearly 90 per cent of contributions to UNHCR are earmarked (see table II.3). In 2022, the proportion of earmarked and tightly earmarked contributions was 58.5 per cent, while the proportion of unearmarked and softly earmarked contributions was 41.5 per cent. Earmarked contributions place constraints on management's ability to deploy resources flexibly and to meet demand across all areas of activity. Governments continued to be the major donors of UNHCR (\$4,188.6 million). However, in 2022, private donors doubled their contributions to \$1,240.4 million.

Table II.3

**Monetary contributions by type of earmarking in 2022 and 2021**

(Millions of United States dollars)

<i>Type of earmarking</i>	<i>2022</i>	<i>2021</i>	<i>2022 (percentage)</i>	<i>2021 (percentage)</i>
Earmarked	2 428.1	2 250.0	42.0	44.6
Tightly earmarked <sup>a</sup>	949.6	777.4	16.5	15.4
Softly earmarked <sup>b</sup>	1 619.5	952.9	28.1	18.9
Unearmarked	777.3	1 068.3	13.5	21.2
<b>Total monetary contributions</b>	<b>5 774.5</b>	<b>5 048.7</b>	<b>100</b>	<b>100</b>

Source: UNHCR financial statements.

<sup>a</sup> Tightly earmarked contributions can only be used for a specific project or are restricted both geographically and thematically.

<sup>b</sup> Softly earmarked contributions can be used for a specific geographical region or strategic objective only.

### 3. Finance and budget

16. In the course of its audit of the 2022 financial statements, the Board made observations concerning notably the presentation of the statement of financial position regarding the Staff Benefits Fund (see paras. 17–36 below), the comparison of budget and actual amounts (see paras. 37–47 below), inventories (see paras. 48–75 below), employee benefits liabilities (see paras. 76–92 below), estimates of general accruals for cut-off (see paras. 93–102 below), property, plant and equipment accounting (see paras. 103–118 below), internal control (see paras. 119–138 below) and access rights to the enterprise resource planning system (see paras. 139–154 below).

#### (a) Presentation of the statement of financial position regarding the Staff Benefits Fund

*Presentation not fully reflecting the situation of the Staff Benefits Fund*

17. As at 31 December 2022, the Staff Benefits Fund is presented on the face of the statement of financial position (statement I) as a net negative reserve of \$351,238,000.

Table II.4  
**Extract from statement I**  
 (Thousands of United States dollars)

<i>31 December 2022</i>	
<b>Fund balances and reserves</b>	
Accumulated fund balances and reserves	3 854 100
Working Capital and Guarantee Fund	100 000
Medical Insurance Plan	69 581
Staff Benefits Fund	(351 238)
Self-Financing Activities Fund	201 246
<b>Total fund balances and reserves</b>	<b>3 873 689</b>

Source: UNHCR financial statements as at 31 December 2022.

18. This presentation results from an offsetting of the fund assets with the defined benefit obligation of UNHCR employees.

19. In its report on the 2018 financial statements, the Board noted that this presentation did not comply with IPSAS and recommended that IPSAS be applied ([A/74/5/Add.6](#), chap. II, para. 20). That recommendation was rejected by management and has still not been implemented to date, even though it was endorsed by the General Assembly.

20. The Board considers that, beyond technical aspects regarding IPSAS compliance, the current presentation does not reflect in statement I, but in the notes to the financial statements only, two major facts:

(a) As at 31 December 2022, the Staff Benefits Fund is a positive reserve amounting to \$737,680,000 (and not a negative one of \$351,238,000), and the accumulated surplus is \$2,765,182,000 (and not \$3,854,100,000);

(b) The Staff Benefits Fund assets as part of the UNHCR reserve 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 paragraph 8 of IPSAS 39. The decision to establish this fund does not by itself guarantee the financing of the long-term employee benefits liability.

21. An IPSAS-compliant presentation without using paragraphs 31 and 32 of IPSAS 1 would have the advantage of clearly reflecting the two points above.

22. The Board also notes that the presentation of UNHCR has not been adopted by other organizations of the United Nations system, such as the World Food Programme, the United Nations Development Programme or the United Nations Children's Fund, which comply with paragraph 95 of IPSAS 1.

23. Nevertheless, the Board notes that the presentation is compliant with the internal financial rules of UNHCR ([A/AC.96/503/Rev.11](#), articles 6.5, 6.6 and 6.7). On the basis of paragraph 31 of IPSAS 1, under which management can decide to depart from IPSAS in exceptional circumstances, UNHCR can revise its initial notes to the 2022 financial statements and disclose the information required by paragraph 32 of IPSAS 1.

24. The Staff Benefits Fund was established in 2007 to record transactions relating to end-of-service and post-retirement benefits ([A/63/5/Add.5](#), chap. II, para. 38). UNHCR management attaches great importance to sharing with stakeholders information on the underfunding of the Fund compared to the defined benefit

obligations and considers that the statement of financial position is the appropriate place to disclose such information.

*Departure from International Public Sector Accounting Standards requirements*

25. The UNHCR choice of presentation is a departure from IPSAS and was noted by the Board in its report for 2018, in which it recommended that IPSAS be applied. During the annual follow-up of the outstanding recommendations and given that management historically rejected this recommendation, the Board decided to reconsider the matter and reached the following conclusions:

(a) Paragraph 8 of IPSAS 39 defines “assets held by a long-term employee benefit fund” as assets which (a) are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and (b) are available to be used only to pay or fund employee benefits, and are not available to the reporting entity’s own creditors (even in bankruptcy). For such employee benefit funds, paragraph 65 of IPSAS 39 provides that “an entity shall recognize the net defined benefit liability (asset) in the statement of financial position”. An offsetting of assets and liabilities is thus only authorized for legally separate long-term employee benefit funds;

(b) The assets of the UNHCR Staff Benefits Fund are not held by a legally separate entity, and therefore paragraph 65 of IPSAS 39, which requires the offsetting of assets against the defined benefit obligation, does not apply. In the presentation of assets and liabilities in statement I (statement of financial position) of UNHCR, the defined benefit obligation (\$173,574,000 current plus \$947,720,000 non-current) is effectively not offset by any assets, which is compliant with paragraph 48 of IPSAS 1 (“assets and liabilities ... shall not be offset unless required or permitted by an IPSAS”);

(c) However, paragraph 95 of IPSAS 1 states that an entity “shall disclose net assets/equity, either on the face of the statement of financial position or in the notes, showing separately ... (b) accumulated surpluses or deficits; (c) reserves”. By offsetting the defined benefit obligation against the assets of the Staff Benefits Fund in the presentation of the fund balances and reserves in statement I, the actual accumulated surplus is not shown separately, as required under paragraph 95 of IPSAS 1, but is split between an overestimated “accumulated fund balances and reserves” and a negative Staff Benefits Fund, as if the Fund’s assets and the defined benefit obligation were legally ring-fenced.

26. The UNHCR presentation is a departure from the combination of paragraph 95 of IPSAS 1 and paragraphs 8 and 65 of IPSAS 39. Although some paragraphs in notes 3.8 and 3.14 to the financial statements refer to this, for a reader referring to IPSAS general standards, the presentation may also suggest that:

(a) The Staff Benefits Fund is legally protected (“ring-fenced”), as described in paragraph 8 of IPSAS 39 (i.e., staff have a legal right to the Fund’s assets), which is not the case;

(b) The Staff Benefits Fund, as at 31 December 2022, is a negative reserve amounting to \$351,238,000, which is also not the case (it is a positive reserve amounting to \$737,680,000);

(c) The amount of the accumulated surplus is \$3,854,100,000, which is also incorrect; in fact, when taking into account the defined benefit liability (\$1,088,918,000), it is only \$2,765,182,000.

*Compliance with the financial rules for voluntary funds administered by the High Commissioner for Refugees*

27. It is stated in article 6.6 of the UNHCR financial rules ([A/AC.96/503/Rev.11](#), effective from 1 January to 31 December 2022) that “financial liabilities associated with accrued end-of-service and post-retirement benefits shall be recorded in the Staff Benefits Fund together with the funding of such liabilities”.

28. The Board notes that the current presentation of the Staff Benefits Fund on the face of statement I complies with this internal UNHCR financial rule.

29. Concerning the financial presentation of the Staff Benefits Fund, the above-mentioned elements show that there is a conflict between:

(a) Article 11.1 of the UNHCR financial rules applicable in 2022 ([A/AC.96/503/Rev.11](#)), where it is stated that “the High Commissioner shall submit annual financial statements prepared in accordance with the International Public Sector Accounting Standards (IPSAS)”;

(b) Article 6.6 of the UNHCR financial rules ([A/AC.96/503/Rev.11](#)), which requires a financial presentation of the Staff Benefits Fund that departs from IPSAS requirements (a combination of IPSAS 1, para. 95, and IPSAS 39, paras. 8 and 65).

30. According to the Financial Regulations and Rules of the United Nations, the Board cannot decide, when such a conflict arises, which rule supersedes the other, because under its terms of reference it is to express an opinion as to whether “the financial statements have been properly prepared in accordance with the International Public Sector Accounting Standards and the Financial Regulations and Rules of the United Nations”.

31. If the financial rules issued by UNHCR governing authorities depart from IPSAS, the Board cannot decide which rule should apply, but must take into account the following elements:

(a) According to paragraph 28 of IPSAS 1, “financial statements shall not be described as complying with IPSAS unless they comply with all the requirements of IPSAS”;

(b) At the same time, according to paragraph 31 of IPSAS 1, “in the extremely rare circumstances in which management concludes that compliance with a requirement in a Standard would be so misleading that it would conflict with the objective of financial statements set out in this IPSAS, the entity shall depart from that requirement ... if the relevant regulatory framework requires, or otherwise does not prohibit, such a departure”.

32. The decision to depart from IPSAS is explicitly left to the management of the audited entity, not to the external auditor. The latter must nevertheless verify, when management decides to deviate from IPSAS, that “the relevant regulatory framework requires, or otherwise does not prohibit, such a departure”. In the present case, this condition is met: UNHCR financial rule 6.6 requires an offsetting of the Staff Benefits Fund reserve against the defined benefit obligation (i.e., employees’ long-term post-employment benefits).

33. Moreover, paragraph 32 of IPSAS 1 requires that “when an entity departs from a requirement of a Standard in accordance with paragraph 31”, it shall disclose:

“(a) That management has concluded that the financial statements present fairly the entity’s financial position, financial performance and cash flows;

(b) That it has complied with applicable IPSASs, except that it has departed from a particular requirement to achieve a fair presentation;

(c) The title of the Standard from which the entity has departed, the nature of the departure, including the treatment that the Standard would require, the reason why that treatment would be so misleading in the circumstances that it would conflict with the objective of financial statements set out in this Standard, and the treatment adopted; and

(d) For each period presented, the financial impact of the departure on each item in the financial statements that would have been reported in complying with the requirement.”

34. The management revised the financial statements to reflect the departure from the requirements resulting from the combination of paragraph 95 of IPSAS 1 and paragraphs 8 and 65 of IPSAS 39, and amended:

(a) Paragraph 6 in note 2 to the financial statements in order to mention the fact that, pursuant to paragraph 31 of IPSAS 1, UNHCR management exceptionally decided to depart from IPSAS (sending the reader to note 3.14 for further explanation);

(b) Note 3.14 in order to provide all the disclosures required under paragraph 32 of IPSAS 1.

35. Therefore, the Board considers that this departure has been decided in compliance with IPSAS requirements, and closes its recommendation contained in paragraph 20 of its report for 2018 (A/74/5/Add.6, chap. II).

**36. The Board nevertheless underlines that, beyond technical aspects linked to IPSAS compliance, the UNHCR presentation, which differs from the one used by other United Nations entities such as the World Food Programme, the United Nations Development Programme and the United Nations Children’s Fund, has its own limitations and does not reflect the facts that:**

(a) **The Staff Benefits Fund, as at 31 December 2022, is a positive reserve amounting to \$737,680,000 (and not a negative one of \$351,238,000) and the accumulated surplus is \$2,765,182,000 (and not \$3,854,100,000);**

(b) **The assets of the Staff Benefits Fund are not “ring-fenced” from other UNHCR assets, as the Staff Benefits Fund is not a legally separated “long-term employee benefit fund” as defined in paragraph 8 of IPSAS 39. The decision to establish this fund does not imply that it is available to be used only to pay or fund employee benefits, since they remain available to the reporting entity’s own creditors.**

**(b) Comparison of budget and actual amounts**

37. The statement of comparison of budget and actual amounts (statement V) and note 7 to the UNHCR financial statements have been adjusted to better address the definition of an approved budget contained in paragraph 7 of IPSAS 24: Presentation of budget information in financial statements.

38. The main objectives of IPSAS 24 are: (a) to measure the surplus/deficit between actual contributions and actual expenditure; and (b) to reconcile the said surplus/deficit with the amounts presented in the financial statements.

39. In order to fully comply with IPSAS 24 requirements, from the year 2022, statement V and note 7 provide additional information.

40. It is stated in paragraph 1 of IPSAS 24 that “this Standard requires a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements”. The basic underlying principle laid down by this first paragraph is that the reporting entity must measure the difference between an “approved budget” and the “actual expenditure” during the reporting period.

41. Paragraph 7 of IPSAS 24 defines an “approved budget” as follows: “Approved budget means the expenditure authority derived from laws, appropriation bills, government ordinances, and other decisions related to the anticipated revenue or receipts for the budgetary period”. In the case of UNHCR, the programme budget approved by the Executive Committee is derived from a bottom-up approach as an aggregated needs-driven budget of country operation plans. This is confirmed by paragraph 8 of IPSAS 24, which states that “an approved budget is not a forward estimate, or a projection based on assumptions about future events and possible management actions that are not necessarily expected to take place”.

42. The Board noted that, to apply article 8.2 of the financial rules for voluntary funds administered by the High Commissioner, UNHCR uses operating level as an internal management indicator that represents maximum spending parameters against the approved budget based on funds available. Funds available are based on voluntary contributions received, pledges and firm commitments, United Nations regular budget contributions, secondary income and multi-year income trends. During the year, operating level is monitored against expenditures including encumbrances and cash flow and adjusted on the basis of recorded contributions and firm projections. Adjustments to operating level are authorized by senior management under delegation by the High Commissioner. The Board considers that this approach, insofar as it sets a precise limit to the commitments that can be incurred by the High Commissioner pursuant to article 8.2, meets the description set out in paragraph 7 of IPSAS 24.

43. On that basis, the third column included in statement V now includes a top row that shows the evaluation of available funds as at 31 December 2022 (\$6,180,279,000). The subsequent rows of the same column show the actual 2022 expenditure, broken down between field operations, global programmes, headquarters, the operational reserve and the Junior Professional Officers Fund, for a total of \$5,607,083,000. The bottom line is the difference between the expense and available funds as at 31 December 2022, i.e. a surplus amounting to \$573,196,000. The Board considers that this presentation of comparison between budget and actual amounts meets the requirements of IPSAS 24.

44. The first, second and fourth columns<sup>2</sup> of statement V, although not required by IPSAS 24, provide a wider comparison, which encompasses the approved programme budget: they show that in 2022, actual expenditure (\$5,607,083,000) represented only 52.3 per cent of the final approved budget.

45. In note 7, table 7.1 provides a detailed reconciliation between the actual expenditure (\$5,607,083,000 – see total for the third column in statement V), based on budgetary concepts (e.g. including commitments and asset purchases) and the “IPSAS expenses” as shown in the statement of financial performance (statement II – see “total expenses” of \$5,361,689,000).

46. Paragraph 47 (b) of IPSAS 24 also requires a reconciliation of statement V with statement IV (statement of cash flow): “the actual amounts presented on a comparable basis to the budget ... shall ... be reconciled to the ... net cash flows from operating activities, investing activities, and financing activities”. To fulfil this requirement, in 2022, the surplus of \$573,196,000 (statement V, see above) must be reconciled with the increase in cash and cash equivalents of \$445,482,000 (see statement IV). The reconciliation is provided in table 7.2, showing separately, as required by paragraph 47 (b) of IPSAS 24, the basis and the entity differences (there are no timing or presentation differences), broken down between operating, investing and financing activities.

<sup>2</sup> First column: original budget; second column: final budget; and fourth column: difference between final approved budget and actual expenses on a comparable basis.

47. The Board considers that the additional information provided in statement V and note 7 from the year ended 31 December 2022 is fully compliant with the requirements of IPSAS 24.

**(c) Inventories**

*Inventory valuation method*

48. The coexistence of two valuation methods and the use of generic inventory identifiers for items that are not actually similar lead to inventory valuation errors that cannot be precisely quantified. Appropriate new methodologies should be adopted and implemented in the new cloud enterprise resource planning system (Cloud ERP) to overcome these problems.

49. According to IPSAS 12: Inventories, an entity must use the same cost formula, either first-in/first-out or weighted average, “for all inventories having similar nature and use to the entity”. It is also stated in IPSAS 12 that “a difference in geographical location of inventories ... by itself, is not sufficient to justify the use of different cost formulas”.

50. Inventory in stockpile locations is valued at average cost, whereas inventory in other locations is valued on the first-in/first-out basis.

51. This approach is not compliant with IPSAS 12. It alters not only the valuation of the overall inventories recorded as assets but also the distribution value of those items. The latter is essential for the overall assessment of the real cost of a project.

52. UNHCR stated that it is committed to using only one cost method for all items of similar nature in accordance with IPSAS 12, and would implement the weighted average cost valuation method for all inventory locations upon the roll-out of the new Cloud ERP system.

*Item identifiers*

53. Detailed tests on the inventories revealed that several items with substantially different unit costs were grouped under the same item identifiers. These items were not substantively substitutable items.

54. The existence of substantially different items with potentially significant different unit costs grouped within one and the same article identifier raises a valuation problem, as follows:<sup>3</sup>

(a) It does not allow for the correct calculation of a weighted average cost. Since the calculation is carried out automatically by Managing Systems, Resources and People (MSRP) at the level of each item identifier, it is impossible to differentiate the items to value them individually: the valuation is global, without distinction between the items;

(b) It is stated in paragraph 17 of IPSAS 12 that “inventories shall be measured at the lower of cost and current replacement cost where they are held for ... distribution at no charge or for a nominal charge”. Such a valuation requires a comparison between the unit cost of an item and its last purchase cost. However, the comparison is impossible if the items are different.

<sup>3</sup> For instance, the unit cost of articles grouped under the item identifier No. 00007067 “Mattress” may range from \$5.92 to \$86. Similarly, as at 31 December 2022, the item identifier No. 00007350 “Solar lamp” shows in the inventory various items with unit costs ranging from \$3.86 to \$348.06.

55. The Board is of the view that all inventory items remain presently recognized at historical cost, because such valuation allowance, even if calculated, is not recognized in the financial statements presented by UNHCR as at 31 December 2022.

56. **The Board recommends that UNHCR apply specific inventory identifiers, instead of generic ones, for items that are not similar in nature.**

57. UNHCR accepted the recommendation, noting that procurement of generic items in the new Cloud ERP system was expected to be reduced to items that by nature are substantively the same.

*Freight cost estimates in inventories*

58. Several shortcomings, without material impact on the financial statements, have been identified regarding the calculation of freight costs, such as using purchase orders instead of invoices. UNHCR should take advantage of the implementation of the new Cloud ERP system to configure the system with a more reliable method for calculating transportation costs.

59. In accordance with IPSAS 12, in addition to the purchase cost, UNHCR includes in the valuation of inventories other costs, such as transportation, insurance and inspection costs, incurred to bring the inventories to the first receiving location in the final destination country.

60. MSRP does not allow the freight costs to be linked directly with the corresponding value of the purchased inventories. The calculation of the freight costs to be capitalized is carried out manually at headquarters at year-end. The amount of \$38.9 million has been recorded for the financial year 2022 (\$24.5 million in 2021). This calculation is based on the weighted average of freight costs observed over the past two financial years and amounts to 9.2 per cent of the cost of purchased goods.

61. The Board identified some shortcomings in the calculation method, as follows:

(a) **Use of purchase orders.** The calculation was carried out on the basis of the purchase orders (projected expenses) instead of invoices (incurred expenses) in accordance with paragraph 18 of IPSAS 12;

(b) **Technical issue in MSRP.** For some locations, the transport costs are excluded from the capitalization owing to technical issues in MSRP. In the context of the events in Ukraine, new warehouses were created in MSRP in Poland. The goods for distribution were recorded in the physical warehouses in Grabica and Rzeszow, but the freight costs of \$4 million were posted in MSRP under a non-warehouse location, and MSRP excludes from the capitalization calculation all transport costs linked to non-warehouse locations. In addition, the consistency verification on the completeness of the costs (existence of purchased inventories without any freight costs) allowed identification that at least three other locations were not taken into account in the calculation: Uzbekistan, the United Arab Emirates and Jordan. The missing incurred expenses in the capitalization costs calculation amounted to \$8 million in 2022;

(c) **Incompleteness in the identification of the freight costs (goods received as in-kind contributions).** These costs of transport, covered by the donor, are evaluated as 15 per cent of the fair value of the goods received for land and sea transport and 25 per cent for air transport as in-kind contributions. They are directly included in the costs of goods capitalized instead of being included in the total calculation of the average freight costs. However, UNHCR capitalized, in addition, 9.2 per cent of the fair value of these goods (already including the 15 per cent of freight costs covered by donors).

62. The recalculation of the capitalized freight costs led to a surplus adjustment of \$9.5 million. These figures are not considered material and do not modify the Board's opinion. However, the methodology to calculate the freight costs should be adjusted in the new Cloud ERP system to reflect accurate information.

**63. The Board recommends that UNHCR take the opportunity of the new Cloud ERP system to improve the quality of the freight costs calculation.**

64. The Board considers that this improvement should be implemented, in particular, by calculating the freight costs on the basis of invoices and changing the calculation method of the freight costs for the goods received as in-kind contributions.

65. UNHCR accepted the recommendation.

*Consumables to be taken into account as inventories*

66. As the closing instructions for the inventory of consumable items have not been correctly implemented, the recording of those items in the financial statements as at 31 December 2022 is based on an estimate that is not supported by appropriate documentation. A reliable manner of tracing quantities and values of consumables should be implemented to secure the amounts capitalized in the financial statements.

67. Consumables are generally not considered as inventories at the time of purchase, but as items for immediate use or distribution, and are accordingly initially recognized as an expense.

68. However, when the valuation of one given type of consumable exceeds \$50,000, at year-end, the value has to be taken into account in the inventories. Therefore, according to paragraph 4.17 of document UNHCR/AI/2022/11, entitled "Administrative instruction on closure of UNHCR accounts for the year ending 31 December 2022", each country office is required to take an inventory of its stock of fuel and other consumables, as listed in annex 7 to that document. That annex also defines the main steps to carry out this inventory and the valuation of stored consumables, limiting the scope to stocks with a purchase price, for a given item code, exceeding \$50,000 at the country level.

69. The Board is of the view that UNHCR country operations do not fully comply with administrative instruction UNHCR/AI/2022/11.

70. Although the valuation of consumables is carried out in the warehouses, it is not systematically formalized as shown in annex 7 to UNHCR/AI/2022/11, nor is it transmitted to headquarters for recognition in the financial statements as at 31 December 2022. For example, in a country, the Board identified a significant quantity of fuel stored at a field office. This quantity was not reported on the annex 7 form provided by the country office to headquarters, even though it exceeded \$50,000. One can assume that the task of identifying the categories of consumable items exceeding the threshold may be too complex to be left to the country operations alone.

71. In this context, based not on annex 7 forms, but on an extraction from MSRP for consumables as at 31 December 2022, UNHCR has recorded \$20 million of consumable items. This extraction is based on data that are neither reliable nor comprehensive.

72. Out of a sample of five different items, representing \$10.9 million, the Board noted that:

(a) The documentation provided for the first item (digital tablets: \$7.5 million) could be reconciled with the valuation of the inventory in the ledger as at 31 December 2022;

(b) The documentation related to the second item (solar panel systems: \$1 million) showed that the stock was overvalued by \$0.34 million (out of three batches of 500 units each, only two were delivered on 31 December 2022; the third batch should have been recognized during the 2023 financial year);

(c) The third item, a large quantity of spare parts with different unit prices, is recorded in MSRP for a unit price of \$874,500. The documentation transmitted does not allow validation of the reality of this inventory as at 31 December 2022;

(d) The fourth item, a large quantity of different medical items (masks, gloves, eye protection, etc.) is also recorded in MSRP for a unit price of \$617,500. The documentation provided does not allow for validation of the reality of all this stock as at 31 December 2022;

(e) The fifth item concerns different drugs for a unit price of \$0.9 million, part of which was received in 2023.

73. The Board is of the view that the valuation of consumables needs to be strengthened.

**74. The Board recommends that UNHCR record all consumables stored in controlled (warehouse) locations in the new Cloud ERP system and apply identical procedures as for other stock items (purchases, distributions, physical verifications, etc.).**

75. UNHCR accepted the recommendation, noting that a plan will be established to expand the use of controlled locations in which consumables will be accounted for as inventory until distributed.

**(d) Employee benefits liabilities**

*Employee benefits liabilities actuarial valuation process*

76. UNHCR bears a high inherent risk with the actuarial valuation of its post-employment benefits, partially mitigated by outsourcing to an independent actuary. However, UNHCR remains ultimately responsible for the “employee benefits” requirements of IPSAS 39, the accuracy of the data supplied for valuation at the end of the reporting period and the management of the actuary’s contract to ensure that the correct level of review has been adopted and documented accordingly. The Board reviewed this process and identified several weaknesses that should be addressed.

77. IPSAS 39 defines post-employment benefits as employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment. This standard also sets the rules for recognition, measurement, presentation and disclosure requirements from UNHCR for its defined benefit plans, such as the United Nations Joint Staff Pension Fund, after-service health insurance and repatriation grants. The liability recognized for those benefits, excluding the Pension Fund, corresponds to the present value of the defined benefit obligations that should be valued using an actuarial technique<sup>4</sup> at the end of the reporting period (31 December 2022).

78. In compliance with IPSAS 39, the present value calculation of the defined benefit obligations regarding after-service health insurance and the repatriation grant was outsourced by UNHCR to an independent actuary under a new contractual agreement dated 4 October 2022. According to that agreement, the actuary must

<sup>4</sup> The projected unit credit method, to make a reliable estimate of the ultimate cost to the entity of the benefit that employees have earned in return for their service in the current and prior periods, as described in para. 59 (a) (i) of IPSAS 39.

deliver, for financial accounting purposes and in accordance with generally accepted actuarial principles and practices, a report showing:

- (a) The results of the actuarial valuation of the end-of-service benefits liability at the end of the reporting period;
- (b) The actuarial assumptions used for the valuation;
- (c) A reconciliation of the liability over the current year;
- (d) A sensitivity analysis of changes in the discount rate, health-care trends, salary increases and age factor assumptions;
- (e) A roll forward of the liability to the next reporting period.

79. In accordance with the contractual agreement, the actuary must carry out the valuation using information provided by UNHCR following a strict and agreed split of responsibilities, where UNHCR is accountable for the accuracy of data and information supplied to the actuary and for a critical review of the parameters used for valuation. The actuary must review the reasonableness and consistency of the data provided within an agreed time frame, but it remains the responsibility of UNHCR to ensure that the data submitted to the actuary (census data) for valuation are accurate.

80. Actuarial gains and losses arising from changes in actuarial assumptions are recognized directly in equity and reflected in the financial statements at the end of the reporting period. Given its significant financial weight in the financial statements owing to the size of the obligations towards staff, the end-of-service post-employment benefits liability valuation process is subject to a high inherent risk, for which the above-mentioned partial transfer of responsibility to an external actuary can be considered as a mitigation measure.

81. In 2022, the net accrued present value determined by the actuary for the after-service health insurance obligations amounted to \$833.9 million, and the repatriation grant obligations amounted to \$131.6 million. Compared with 2021, the net actuarial defined benefit obligations decrease for both schemes represents \$462.4 million in 2022 and is due to significant changes in financial assumptions compared with 2021, in particular, the impact of higher discount rates (\$492.0 million decrease), partially offset by actuarial increases primarily attributable to changes in medical trend rates (\$22.7 million) and experience adjustments (\$24.2 million).

82. The Board reviewed the actuarial valuation process of the “employee termination benefits liability” and assessed the relevance and effectiveness of its risk management designed to mitigate the risk of incorrect external actuarial valuation and posting in the UNHCR accounts, as well as its compliance with the requirements of IPSAS 39. Following that assessment, the Board identified the following shortcomings:

- (a) The 2022 valuation was impacted by a major information and communications technology change with the launch of new payroll and Medical Insurance Plan systems in October 2022: payroll is now managed on Workday and the Medical Insurance Plan is now administered through Oracle Health Insurance in place of MSRP (PeopleSoft). UNHCR decided, as a preventive measure, to extract the census data from PeopleSoft instead of Workday and Oracle Health Insurance and provided them to the actuary as at 30 September 2022, instead of the end of the reporting period (31 December 2022). No control on the variation between 30 September and 31 December 2022 was performed by UNHCR or by the actuary.<sup>5</sup>

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<sup>5</sup> UNHCR explained that it decided to use September 2022 data from the legacy systems owing to their proven accuracy and reliability as a conscious risk mitigation measure during the initial implementation phase of the new systems and considering the timing sensitivity of the year-end closing work, including the incorporation of the actuarial valuation. The testing and post-go-live

Although both claim that the variation cannot be material with regard to the overall valuation, the Board considers that any variation and its impact should be documented in order to justify the decision not to adjust data. Furthermore, given the risk implied by the launch of a new payroll system, such controls could have consolidated the reliability of the newly implemented system;

(b) The accuracy of the data provided by UNHCR to the actuary is the basis for the actuarial valuation, as evidenced by the limitation shown in the actuary's contract and report. The Board reviewed the key controls performed to ensure data accuracy and completeness before the data were provided to, but not audited by, the actuary. Census data are gathered by the Division of Human Resources. They are extracted from the system by the payroll team for payroll-related items, and by the Division of Strategic Planning and Results and the Division of Financial and Administrative Management for the Medical Insurance Plan claims administered by UNHCR and by the United Nations Staff Mutual Insurance Society against Sickness and Accidents. UNHCR did not provide evidence of any controls at the end of the reporting period to ensure the accuracy and completeness of these data extracted from its system (payroll and Medical Insurance Plan). The Board holds that UNHCR should implement and document such controls and make use of the new enterprise resource planning system to identify key roles, especially concerning the census data;

(c) The actuarial valuation report is provided in successive stages throughout the closing period of the financial statements and is monitored by UNHCR. In this context, prior to the closure of the 2022 financial statements, the actuary and the chief of accounts who oversaw the employee benefits liabilities calculation between the fourth quarter of 2022 and the first quarter of 2023 initially agreed on 15 assumptions. An initial valuation sheet was provided on the basis of the agreed assumptions, for review and confirmation that the assumptions used, and the results of the valuations, appeared reasonable. However, a part of the employee schemes (unidentified, Weiner Gebietskrankenkasse, Aetna, Blue Cross, Hipmed and the United Nations Educational, Scientific and Cultural Organization scheme) were excluded from the valuation by the actuary even though they were part of "active staff insurance" census data provided by UNHCR. The newly contracted actuary and UNHCR explained this decision through a roll forward of the former actuary's approach. They considered that the impact of that part of the population on the overall valuation was not material and that they did not have sufficient access to the related data. The Board estimates that this exclusion represents 2.2 per cent of the general population in 2022 and 2.5 per cent of the monthly contributions. The approach should be reviewed periodically and documented accordingly in order to demonstrate that the impact remains insignificant;

(d) All internal controls implemented by UNHCR to mitigate the risks of its activities are referenced in the risk control matrix. Two major risks have been identified for after-service health insurance and the repatriation grant and their corresponding controls: "Actuary uses inaccurate or incomplete valuation data" and "Actuarial assumptions do not reflect current best estimates of future expected costs". If the suggested controls are implemented, their design and documentation should address the weaknesses described above. An additional key control should also be included in the matrix to materialize the review, posting and identification of mandatory disclosures in the financial statements of the actuarial valuation received from the actuary. Such control taking place at the end of the valuation process would ensure that the report is compliant with the information agreed throughout the process as well as with the IPSAS 39 requirements for mandatory disclosures. Accurate

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improvements of the new human resources and payroll systems were ongoing during this period, thus limiting the usefulness of the data.

documentation of controls should replace the informal review conducted by the Division of Human Resources and the chief of accounts.

**83. The Board recommends that UNHCR issue a policy on employee benefits liabilities valuation describing the controls attributable respectively to UNHCR and its actuary.**

84. The Board considers that supporting documentation should allow for tracing and checking that these controls have been implemented effectively.

85. UNHCR accepted the recommendation.

*Annual leave liability related to employee benefits obligations*

86. A minor error in the calculation of the annual leave liability has been identified.

87. Article 101 of the Charter of the United Nations provides that the General Assembly establishes staff regulations that set out the broad principles of human resources policy for the staffing and administration of the United Nations Secretariat and the separately administered funds and programmes. Annual leave is governed by regulation 5.1 and rule 5.1 of the Staff Regulations and Rules of the United Nations (ST/SGB/2018/1/Rev.2), which are applicable to UNHCR. In accordance with these rules, no employee shall be granted, at once or through cumulative requests, more than 10 working days of advance annual leave, as stated in paragraph (f) of rule 5.1: “A staff member may, in exceptional circumstances, be granted advance annual leave up to a maximum of 10 working days, provided that his or her service is expected to continue for a period beyond that necessary to accrue the leave so advanced.”

88. At the end of the reporting period (31 December 2022), such advances granted are recognized as deductions to the accrued annual leave liability in the employee benefits current liabilities. The accounting for accumulated annual leaves is described in section V, part 10, of the UNHCR financial management manual.

89. The calculation file for the accrued annual leave liability, as prepared by the Division of Financial and Administrative Management, was reviewed. The valuation of this liability is the combination of the number of effective leave periods in days accumulated by each active employee as at 31 December 2022 with their salary grade. Such information is obtained by the Division of Financial and Administrative Management from the payroll team through a dedicated report generated by Workday, a newly implemented information technology system. Once extracted by the payroll team, the report is reviewed for accuracy and completeness by the Division of Human Resources and then shared with the Division of Financial and Administrative Management for valuation of the liability at the end of the reporting period.

90. According to that report, three employees – included in the calculation of the annual leave liability and not considered as special leave – presented negative leave balances above 10 working days, for “-15 days”, “-22 days” and “-40 days”, respectively. Those exceptions are accounted for in the valuation of the overall leave liability for a total of \$16,400 as at 31 December 2022. No appropriate supporting document was provided to the Board.

91. Although the financial impact is not significant, the Board notes that these cases are not compliant with the Staff Regulations and Rules of the United Nations applicable to UNHCR. UNHCR should systematically identify such exceptions and ensure the appropriate application of the Staff Regulations and Rules, which are valued at the end of the reporting period.

92. The Administration is committed to implementing an internal control consisting of systematically identifying, on an annual basis, all negative balances of annual leave

allowance over 10 days, in order to comply with the Staff Regulations and Rules of the United Nations.

**(e) Estimates of general accruals for cut-off**

93. UNHCR records at year-end “general accruals” of \$5.5 million to cover the risk of cut-off errors between 2022 and 2023. This amount is based on a questionable estimate, which may be not compliant with the requirements of IPSAS 19: Provisions, contingent liabilities and contingent assets.

94. To cover the risk of cut-off errors between the current year and the following year, at each year-end, as part of the monitoring of cut-off and receipts processes, the Accounts Payable Unit recognizes the two following estimated accrued amounts, labelled as “general accruals”:

(a) General receipt accrual: the general receipt accrual amounts to \$4 million as at 31 December 2022, the same amount as at 31 December 2021. This is recognized in the financial statements without any analysis of the invoices received in early 2023;

(b) General non-purchase order accrual: the Accounts Payable Unit recorded a general “non-purchase order accrual” of \$1.5 million (same as previous year). In 2022, within that accrual, \$0.8 million is documented by a review of accounts payable vouchers from MSRP created with a post-closure accounting date. The remaining \$0.7 million is not based on any review or analysis.

95. Paragraph 18 of IPSAS 19 defines a provision as “a liability of uncertain timing or amount”, and paragraph 19 of IPSAS 19 defines accruals as “liabilities to pay for goods and services that have been received or supplied, but have not been paid, invoiced, or formally agreed with the supplier ... Although it is sometimes necessary to estimate the amount or timing of accruals, the uncertainty is generally much less than for provisions”.

96. To recognize a provision, one of the requirements of paragraph 22 of IPSAS 19 is that a reliable estimate of the amount of the obligation can be made. It is stated in paragraphs 45 and 46 of IPSAS 19 that “the best estimate ... is the amount that an entity would rationally pay to settle the obligation at the reporting date ... The estimates of outcome and financial effect are determined by the judgment of the management of the entity, supplemented by experience of similar transactions ... The evidence considered includes any additional evidence provided by events after the reporting date.”

97. The reliability of the amounts accrued can only be based on an annual review of the post-closing receipts relating to the “general accruals” recognized at year-end. Without such an analysis, such accruals cannot be considered to be based on a reliable estimate as defined by IPSAS 19.

98. The Board considers that the “general accruals” are not reliably estimated and therefore do not comply with IPSAS 19. However, it also acknowledges that there is a risk of an understatement of expenses for the current year.

99. A review of 17 transactions on the January 2023 general ledger was performed: 12 were incorrectly recorded in 2023, for \$1.3 million (70 per cent of the sample).

100. As of April 2023, “general accruals” can be considered as overvalued by \$3.4 million. Evidence of missing accruals may also continue to be highlighted each year beyond the audit period. Although that amount is not material, the robustness of the year-end “general accruals” estimate should be improved to comply with IPSAS 19.

**101. The Board recommends that UNHCR conduct and document a detailed review of expenses where cut-off error risk is high, in particular of the most material procurement transactions, such as transportation or fuel.**

102. UNHCR accepted the recommendation and stated that it would conduct and document a targeted review of material charges with a high risk of cut-off error in the first quarter of 2024 for the next financial year.

**(f) Property, plant and equipment accounting**

103. Some weaknesses noted in the property, plant and equipment recognition and valuation processes may impact the accuracy of the valuation of tangible assets and their depreciation.

104. As at 31 December 2022, property, plant and equipment amounted to \$473 million in total cost and \$234 million in net book value, i.e. 23 per cent of non-current assets and 4 per cent of total assets. The main items were vehicles, with a net book value of \$187 million.

*Transfer of ownership: year-end reclassification*

105. The purchase of assets with the purpose of transferring ownership to a partner, or more generally the transfer of ownership of existing assets, is a common practice for UNHCR. These assets are initially recognized as property, plant and equipment, according to the UNHCR policy on accounting for property, plant and equipment, for example vehicles and generators, amounting to \$9.3 million in 2022.

106. 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 to other entities (A/74/5/Add.6, chap. II, para. 50). A guidance note on transfer of ownership has been issued by UNHCR to implement this recommendation, and the MSRP system has been enhanced to enable better identification and monitoring of these assets.

107. In particular, the assets held for transfer of ownership were reclassified from property, plant and equipment to inventories during the year-end closing process. Either they are identified in MSRP with a specific tick box to be checked during the procurement process, when they are bought with the express purpose of transferring ownership, or they are identified by a review of transfers made in early 2023, when a disposal request was issued in 2022.

108. Some assets subject to transfer of ownership were not identified during the year-end review, which resulted in an understatement of inventories, an overstatement of property, plant and equipment and inaccurate postings in the categories of depreciation.

109. For example, a disposal request was issued on 25 November 2022 for two King Long vehicles and was approved, since they were erroneously declared to be procured for direct transfer of ownership. However, these assets, amounting to \$765,000 and depreciated for \$6,000 as at 31 December 2022, were not reclassified as “assets held for transfer” during the year-end review.

110. The guidance has been clarified, but it is not fully implemented. UNHCR should monitor assets held for transfer and reclassify them as inventories at year-end. The process needs to be reinforced, as it still fails to identify all the items needing reclassification, which impacts the accuracy of the financial statements.

*Impairment of property, plant and equipment: vehicles received but not in service*

111. According to IPSAS 21: Impairment of non-cash-generating assets, UNHCR should “assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset.” The UNHCR financial management manual sets out the procedures to implement this policy and requires country operations to review their

assets at year-end for any evidence of impairment. It also states that damaged vehicles that will be repaired are not to be recorded as impaired.

112. In 2022, some vehicles that had been purchased and had still not reached their destination after three months (under “long in transit” status), amounting to \$3.1 million, have been impaired for \$1.1 million.

113. Other vehicles, amounting to \$20 million, can be qualified as “dormant” assets, as they remain permanently in warehouses (one of them since 2016). However, they have not been subject to any individual impairment reviews (see table II.5).

Table II.5

**Number and acquisition cost of vehicles not in service, 2016–2022**

(Thousands of United States dollars)

<i>Year</i>	<i>Number</i>	<i>Acquisition cost</i>
2016	1	189.8
2017	1	189.8
2018	2	379.9
2019	23	863.0
2020	72	2 109.1
2021	101	3 416.0
2022	408	12 843.0
<b>Total</b>	<b>608</b>	<b>19 990.6</b>

Source: Board of Auditors.

114. The closing instructions transmitted to the country offices are mainly focused on external factors and may lead them to underestimate the risk of a loss of value by setting a \$0.5 million threshold below which the impacts are considered insignificant. They also mention “deterioration in the performance or usefulness of any physical assets that goes beyond the normal loss in value which occurs as time passes”, but this does not concern vehicles whose depreciation has not started yet. According to UNHCR, no triggering event has been detected for these vehicles, as even the useful life of vehicles has been extended from six to eight years in the UNHCR policy.

115. Vehicles held for a long time in warehouses usually lose part of their value. While this might not be considered as a triggering event for regularly depreciated vehicles, the Board is of the view that, in such situations, this can be considered as a triggering event and therefore IPSAS 21 requires that an evaluation be made to assess whether an impairment is necessary.

**116. The Board recommends that UNHCR review and document asset disposal requests against the property, plant and equipment register at year-end closure to ensure that its new guidance concerning transfer of ownership of assets is effectively implemented.**

**117. The Board also recommends that UNHCR record all necessary impairments through an annual review of all assets older than one year, especially of vehicles held in three warehouses (Chon Buri, Thailand, Dubai, United Arab Emirates, and Rotterdam, Kingdom of the Netherlands).**

118. UNHCR accepted both recommendations. The Administration has already initiated a policy to depreciate vehicles held for more than one year at major storage locations where the impact of depreciation would be material.

**(g) Internal control***A process relying on a self-assessment*

119. The statement of internal control roots itself in a self-assessment questionnaire process, which should be improved to ensure better reliability of the assessment provided.

120. The statement of internal control, published in the annual financial report, provides a review of internal control issues that arose during the year: the review is mainly based on the above-mentioned self-assessment questionnaire submitted to targeted headquarters divisions (six support divisions), regional bureaux and country offices. The questionnaire process is organized by the Division of Financial and Administrative Management. A specific instruction defines the timeline, presents the novelties and provides templates with guidelines for answering. In total, 115 country offices have responded to 57 questions, the seven regional bureaux to 15 questions and the six support divisions to 55 questions.

121. Although useful, the self-assessment questionnaire tool has intrinsic limits. Self-assessment is a convenient tool to evaluate in the field, in a professional and informed way, the effectiveness of internal control, but the objectivity of the results is by nature not guaranteed. The internal control weaknesses to be addressed to the Division of Financial and Administrative Management may be underestimated by the reporting entities. The average rating resulting from the 2022 cycle for country offices is very high, 3.61 out of 4 (3 means satisfactory compliance, i.e. 60–80 per cent of control activities in place, and 4 means strong compliance, i.e. 80–100 per cent of control activities in place). This shows that the “self-raters” may not be overly strict.

122. In the guidelines and template provided by the Division of Financial and Administrative Management, offices were asked to rate the controls on a scale from 1 (low compliance) to 4 (strong compliance). In the case of low compliance score only, the offices were required to describe the weakness and document mitigation measures. The Board noted that all ratings (1 to 4) should be justified in a specific block of the questionnaire. However, the guidelines specify that there is no obligation to complete a justification except in the case of low compliance score. In more than half of the cases, no comments were added by the country operations to the questionnaire. The reliability of the answers remains essential, as they are part of the basis of the annual statement of internal control.

*Role of the regional bureaux*

123. The current self-assessment questionnaire process provides a very limited role to the regional bureaux in the overall assessment, even though, on the one hand, they have close knowledge of the strengths and weaknesses of country offices and, on the other hand, they are involved as second “line of defence”. The Board is of the view that a broader involvement of regional bureaux in monitoring the questionnaire process would improve the overall quality of information provided.

124. The Division of Financial and Administrative Management reviews the self-assessment questionnaire without the support of the regional bureaux, even though they are, in principle, the “second line” towards country offices, as stated in a document entitled “Roles, accountability and authorities of the regional bureaux”, issued in November 2022. The regional bureaux are clearly mandated to “monitor the implementation of internal controls as well as of an effective monitoring and evaluation system at country level”. For example, the Regional Bureau for East and Horn of Africa and the Great Lakes reported that 4 country offices out of 11 did not issue a procurement plan. For the remaining countries, apart from Uganda, the Regional Bureau noted that none of the countries managed to update their

procurement plans during the year. These shortcomings were not reflected in the self-assessment questionnaire of the country operations concerned.

125. In order to strengthen the reliability of the information provided, the Board considers that the regional bureaux should be involved in the self-assessment questionnaire process, in order to review the answers of the country offices to the questionnaire and endorse findings and ratings before they are submitted to the Division of Financial and Administrative Management, in order to mitigate the risk of unreliable information being provided.

**126. The Board recommends that UNHCR enhance the role of the regional bureaux in the internal control process.**

127. In particular, the Board considers that UNHCR should amend the process for the next annual internal control self-assessment questionnaire cycle by: (a) entrusting the regional bureaux with a responsibility in reviewing the initial rating recorded in the country operation questionnaire; and (b) endorsing the answers submitted to the Division of Financial and Administrative Management after having carried out some spot checks.

128. UNHCR accepted the recommendation.

*Consistency between the internal control framework and the enterprise risk management policy*

129. The internal control framework and the enterprise risk management mechanism are complementary tools related to risk management that would benefit from enhanced coordination and information-sharing in order to focus on the most useful needs in terms of oversight and accountability, and lighten the burden on managers.

130. The role of enterprise risk management is to identify, assess and control risks to ensure that an organization is taking the right measures to meet its objectives without causing financial or legal problems. Two different standards have been created to help with that process: International Organization for Standardization (ISO) 31000:2018 – Risk management – Guidelines, and the Committee of Sponsoring Organizations of the Treadway Commission framework, which in many ways cover the same body of knowledge. UNHCR has chosen to implement both, with the internal control mechanism based on the Committee of Sponsoring Organizations of the Treadway Commission framework. Both the internal control framework and the enterprise risk management processes therefore need to be well linked.<sup>6</sup>

131. In accordance with the UNHCR enterprise risk management policy, operational risk registers are built at the country office, regional bureau and headquarters division level and capture a strategic, prioritized set of risks that require active attention and management. For each risk identified in the risk register, a mitigation plan is defined. The enterprise risk management policy covers the whole organization, including headquarters entities such as the six divisions that are also part of the internal control self-assessment process. In 2022, for instance, the Division of Financial and Administrative Management identified nine risks in its operational risk register, whose impact and likelihood were rated as medium.

132. In parallel, the internal control mechanism based on the Committee of Sponsoring Organizations of the Treadway Commission framework has developed to provide reasonable assurance regarding the achievement of objectives. The self-

<sup>6</sup> The linkages between the two tools are not explained either in the policy for enterprise risk management in UNHCR (UNHCR/HCP/2020/2/Rev.1), which is based on ISO 31000, or in the UNHCR financial management manual, sect. I, part 10, “Fundamentals of internal controls”, part 11, “The three lines of defence model”, or part 12, “Internal control framework adopted by UNHCR”.

assessment questionnaire includes questions related to financial, operational, administrative and support matters, as well as on leadership and management areas. At headquarters, the questionnaire is filled in by the six divisions involved in administrative, operational and financial support, hence its scope is much narrower than that of the enterprise risk management policy, which covers all headquarters activities.

133. However, the self-assessment questionnaire results can provide more granular information on risk than risk registers and their treatment plans. The questionnaire endeavours to rate how key internal controls in place for identified processes are effective, whereas risk treatment plans are not monitored with such a precise methodology.

134. In 2022, the Division of Financial and Administrative Management answered 25 questions related to 17 subprocesses that can be linked to the aforementioned risk categories, namely accounting; accruals; after-service health insurance; bad debts; bank accounts management; Board's audit recommendations; financial procedure clearance; general ledger and subledger reconciliation; intangibles; inventory; master data; policy and procedure; property, plant and equipment; purchase order processing; reporting; revenue recognition; and year-end closure. All the internal controls tested received the best rating possible, with the exception of two processes: master data and policy and procedure. However, the comparison between these results and the risks identified by the Division of Financial and Administrative Management in its risk register is not always easy, for the following reasons:

(a) The risk of incorrect financial reporting in the annual financial statements is considered as mitigated since the internal control on the corresponding processes is rated as efficient. Moreover, the financial statements are certified by an external auditor;

(b) The risk related to cash-based interventions in the Division of Financial and Administrative Management risk register has a range of causes, which include inadequate systems and staff capacity, as well as processes. These aspects are subject to significant future uncertainty (for example, with the move from MSRP to Cloud ERP, and potential pressures on staffing caused by funding challenges). The fact that the statement of internal control indicated that in the past year operations reported a high level of compliance is not nearly sufficient to consider this risk as fully mitigated.

135. The self-assessment questionnaire results should be more explicitly taken into account in the risk register both at the level of the risk rating and in the treatment measures.

136. On the other hand, the risk register of the Division of Financial and Administrative Management describes risks that are not captured in the self-assessment questionnaire, such as management of placements and investments of surplus of funds, and fraud and corruption risk. In addition, the analysis of the questionnaire leads to the identification of some weaknesses in the statement of internal control. However, these weaknesses are not identified in the operational register as risks to be addressed.

137. The Board considers that the self-assessment questionnaire mechanism and the risk register should be consistent. Risk assessments and treatment plans should take stock of the questionnaire conclusions, notably concerning efficient internal controls. Either such risks should be closed in the risk registers or a clear explanation should be provided and internal controls should be adjusted accordingly for the self-assessment questionnaire process. Moreover, the weaknesses identified by the questionnaire have to be considered when updating the risk register. Risks identified

in the operational register are also key to feeding the questionnaire. The overall efficiency of risk management within UNHCR would greatly benefit from better linkages between both mechanisms.

138. Streamlining the timetables for the deployment of both the self-assessment questionnaire and the operational risk register and enhancing coordination and information-sharing in the field of oversight and accountability could help to improve the consistency and efficiency of risk management.

**(h) Access rights to the enterprise resource planning system**

*User rights and access management in the enterprise resource planning system*

139. UNHCR financial accounting is based on an enterprise resource planning system, access to which requires rigorous internal controls. Some weaknesses were identified with regard to access provisioning, deprovisioning and periodical review, which should be addressed. UNHCR should consider embedding key controls in the new Cloud ERP system.

140. The MSRP system was launched at UNHCR headquarters in 2004 and was deployed in the field offices between 2005 and 2007. Workday replaced the human resources and payroll modules of MSRP in October 2022 as part of the business transformation programme. However, retroactive entitlements are still processed in MSRP until the end of 2023 for information prior to the go-live date. The next step of the business transformation programme will be the decommissioning of the remaining MSRP modules and their replacement in Cloud ERP, which is expected to go live in the third quarter of 2023 (August 2023, according to the most recent information obtained during the audit).

141. The financial internal control framework, revised in 2006, describes the financial functional roles to be undertaken in an office and defines the authority levels, rules and system security access necessary for individuals to perform these functional roles, which are reflected in the system. This rigorous definition of roles and the corresponding segregation of duties is the keystone of UNHCR internal control, enabling reliable data input and preventing fraud.

*User access provisioning for Managing Systems, Resources and People*

142. The Board reviewed the current user access management in MSRP and the new system's implementation.

143. MSRP access management procedures state that the provisioning of a "user role" is decided locally in each UNHCR office by the appropriate managers. Once validated, the request is transmitted to the identity and access management team within the Division of Information Systems and Telecommunications, to be reflected in MSRP. In order to ensure the appropriate segregation of duties, offices across UNHCR prepare and submit to the Division of Financial and Administrative Management a delegation of authority plan, which takes the form of Excel spreadsheets pursuant to the financial internal control framework principles, defined in May 2006.

144. The delegation of authority plan enables effective internal control by ensuring a segregation of duties over conflicting functional roles, especially with regard to the UNHCR expenditure execution and disbursement process. The delegation of authority plan covers the following processes: "approve spending", "approve purchasing", "confirmation delivery", "approve payment" and "execute payment". In addition, a list of conflicting combinations of roles has been defined for these processes, but there is no automatic mechanism within MSRP to detect these conflicts when creating a user: the process is manual.

145. The Board reviewed these accesses in MSRP and observed that 386 unique roles were implemented for basic users and 88 different roles were implemented for administrative users, while the principles of the delegation of authority plan and related potential conflicts between roles only covered around 50 roles. No appropriate documentation was identified that related to potential conflicts between roles for those that are not integrated in the delegation of authority plan process. Such a weakness prevents UNHCR from ensuring that the segregation of duties within MSRP is properly managed. Risks of incompatible role combinations within the system remain.

146. Furthermore, the Division of Information Systems and Telecommunications was asked whether these weaknesses would be mitigated by the new Cloud ERP functionalities, but the mapping of roles and the automatic controls into the system to detect potential conflicts between roles had not been finalized or decided at the time of conducting the audit, as the system was still under development.

*User access deprovisioning*

147. Through a review of the access deprovisioning, over 20,000 active users were identified in MSRP, while only around 15,000 employees are active within UNHCR. The control on accesses provided by UNHCR in the form of an Excel file also showed that 3,619 users had the “last login” information as “blank”. The reconciliation of these users with the December 2022 payroll showed that they were not part of the UNHCR workforce at the end of the reporting period. In addition, over 400 users had not logged in for more than a year (including one in 2006 and two in 2008). None of these users appeared in the December 2022 payroll and no control on the ageing of last login to update the rights had been performed.

148. Furthermore, the list of 2022 terminations and the December 2022 payroll were reconciled and showed that some user accesses had not been deleted in MSRP. The management of user access in the event of termination of activity or internal mobility is not carried out rigorously.

149. Although access to MSRP is also controlled by an active directory, the deprovisioning of user access should be tightly monitored.

*Periodic review of user accesses and detection of conflicts*

150. The results of MSRP access reviews on user access management performed by UNHCR in 2022 were requested. Only one review was provided, in an Excel file, and contained information about conflicts between roles according to delegation of authority plan rules and a tab showing approved exceptions. Despite multiple requests, the Board did not obtain sufficient information on this review, such as the frequency, scope of control, authority responsible or corrective actions for discrepancies.

151. The Board identified through testing that the list of exceptions was not exhaustive, for instance, with the incompatible combination between “travel claim preparer” and “travel claim admin”, or that between “voucher preparer” and “approver”. It is unclear whether the detection of conflicting roles in accordance with the financial internal control framework and delegation of authority plan rules in MSRP is exhaustive. Furthermore, the frequency of this review seems insufficient in view of the financial risks.

**152. The Board recommends that UNHCR secure all access rights in its new enterprise resource planning system, taking into account the segregation of duties and changes in employee positions.**

153. The Board considers that, to that end, UNHCR should (a) extend the delegation of authority plan to all roles in the new Cloud ERP system; and (b) implement at least annually a review of accesses.

154. UNHCR accepted the recommendation and agreed to extend the future equivalent of the current delegation of authority plan to all roles actively used by UNHCR in the new Cloud ERP system and identify and prevent the conflicting roles. The Administration will consider embedding these controls in Cloud ERP.

#### **4. Risk management**

155. The Board audited risk management at UNHCR. After recalling the overall context of risk management at UNHCR (see paras. 156–165 below), main observations and recommendations concern notably the maturity of the risk management system (see paras. 166–202 below), the appetite for risk (see paras. 203–214 below), resources allocated to risk management (see paras. 215–226 below), the first and second “lines of defence” in risk management (see paras. 227–230 below) as well as lessons learned from the management of risks in the Ukraine refugee crisis (see paras. 231–247 below).

##### **(a) Overall context of risk management at the Office of the United Nations High Commissioner for Refugees**

156. While risk management at UNHCR has reached a high level of maturity, real margins for improvement remain, in particular with regard to the effectiveness and consistency of risk management in the field.

##### **Building up of risk management at the Office of the United Nations High Commissioner for Refugees**

157. The UNHCR enterprise risk management policy is not intended to replace pre-existing risk management systems. In 2014, UNHCR adopted its initial policy for enterprise risk management.<sup>7</sup> The underlying rationale of the founding policy was as follows: “Taking calculated risks is done every day in UNHCR. However, risk assessment and mitigation, though regular features of UNHCR’s work, are neither consistently applied across the organization nor are systematically documented and factored into planning and prioritization processes on a regular basis ... A systematic and holistic approach to risk management supports the organization in the achievement of its objectives by proactively identifying, assessing, prioritizing and controlling risks across the organization. UNHCR recognizes that risk management is part of the planning and priority-setting process, and it requires a systematic approach across the organization through an enterprise risk management system.” The objective of UNHCR enterprise risk management was not to replace pre-existing risk management systems, but to link them together by “bridging various risk management policies and formal/informal practices already in place”.

158. The UNHCR enterprise risk management framework is managed by a Chief Risk Officer, along with a dedicated service and specific tools. Since 2015, UNHCR has been managing two types of risk registers: on the one hand, a “strategic risk register” designed to manage key organization-wide risks; and on the other hand, in each headquarters division, regional bureau and country operation, to manage specific operational risks, a “corporate risk register”, renamed the “operational risk register” in 2020 for more clarity. A dedicated service,<sup>8</sup> headed by a Chief Risk Officer reporting to the Deputy High Commissioner, was created to promote and monitor risk management, notably by providing methodology, expertise, support, analysis and reporting as needed.

<sup>7</sup> The policy for enterprise risk management in UNHCR (UNHCR/HCP/2014/7) was approved on 22 July 2014, entered into force on 1 August 2014 and had a review date of 30 June 2017.

<sup>8</sup> The Enterprise Risk Management Unit until 2020, then the Enterprise Risk Management Service.

159. Integration of enterprise risk management is still in progress. From the outset, UNHCR has been managing its risks on the basis of the ISO 31000 standard.<sup>9</sup> In 2015, in compliance with the key principles of this standard, UNHCR launched a baseline evaluation of risks at the country operation, regional bureau and headquarters division levels, which led to the adoption of a first version of the strategic risk register and a template of the corporate risk register. Annual reviews were conducted in 2015 and 2016 and then, as foreseen in the policy document, the initial implementation was submitted for a general review in 2017, on the basis of an advisory review issued by OIOS.<sup>10</sup> The 2017 OIOS advisory report had established that the risk management policy was “firmly in place” at UNHCR, although it had not yet penetrated the culture of the organization. In 2022, despite recognized progress, the integration of risk management in the UNHCR culture was not fully achieved, according to a 2022 OIOS advisory report, and remained a concern and an objective from the perspective of the Enterprise Risk Management Service.

160. Following the above-mentioned review, the “risk management 2.0” initiative was launched in October 2017, with the High Commissioner announcing, at the sixty-eighth session of the Executive Committee, that the initiative was designed to cover the period 2018–2020<sup>11</sup> and its core objective was to foster a culture of risk management and strengthen systems, structures, capacities and processes. In 2017 and 2018, the implementation of the enterprise risk management policy continued, and the operational risk registers and strategic risk register, along with their treatment plans, were submitted for an annual review. Analysis of main trends of the review was provided under the responsibility of the Chief Risk Officer.

#### **Previous evaluations of the system**

161. UNHCR risk management was assessed positively by the High-level Committee on Management and the Joint Inspection Unit. In 2019, the High-level Committee on Management endorsed a reference maturity model for risk management<sup>12</sup> that agencies could use as a reference. The model defines five levels of risk maturity across six different dimensions<sup>13</sup> and provides indicative questions, documentation and evidence checklists to assist United Nations system organizations. UNHCR then assessed its risk management practice towards that benchmark through an individual consultancy. In 2020, the Joint Inspection Unit provided an updated version of its 2010 benchmark on risk management,<sup>14</sup> based on 10 components.<sup>15</sup> In 2022, UNHCR

<sup>9</sup> UNHCR explained to the audit team that using the ISO standard does not entail any certification or audit procedure, but only the annual payment of a fee of \$100.

<sup>10</sup> Office of Internal Oversight Services (OIOS), report No. 2017/115 on the advisory review of the implementation of the enterprise risk management policy and procedures at UNHCR. In the early phase of enterprise risk management, OIOS also conducted an advisory review of the implementation of risk management and control responsibilities of functions considered part of the second line of defence at UNHCR (report No. 2018/048).

<sup>11</sup> See EC/69/SC/CRP.18; the initiative was approved at the sixty-ninth session of the Executive Committee, in August 2018 (seventy-third meeting of the Standing Committee).

<sup>12</sup> CEB/2019/HLCM/25.

<sup>13</sup> The five levels are “initial”, “developing”, “established”, “advanced” and “leading”, and the six dimensions are “enterprise risk management framework and policy”, “governance and organizational structure”, “process and integration”, “systems and tools”, “risk capabilities” and “risk culture”.

<sup>14</sup> See [A/75/718](#).

<sup>15</sup> The components are “adoption of enterprise risk management framework and policy” (benchmark 1), “internal organizational structure for enterprise risk management” (benchmark 2), “organizational culture embracing enterprise risk management” (benchmark 3), “role of legislative/governing bodies in enterprise risk management” (benchmark 4), “integration of enterprise risk management” (benchmark 5), “systematic and dynamic processes” (benchmark 6), “information technology systems and tools for enterprise risk management” (benchmark 7), “communication and training for enterprise risk management” (benchmark 8), “periodic review for continuous improvement” (benchmark 9), and “inter-agency cooperation and coordination on enterprise risk management” (benchmark 10).

analysed its practice towards both the High-level Committee on Management and the updated Joint Inspection Unit benchmarks through an advisory review assigned to OIOS.<sup>16,17</sup> According to the main conclusions of the two assessments, in 2019 and 2022, UNHCR has made notable progress in moving its risk maturity from the High-level Committee on Management’s “established” level in 2019 towards the “advanced” level, which is the goal of its risk management strategy for the period 2021–2025.

162. UNHCR is consistently defining risk management as a framework connecting pre-existing ones. The current policy refers to enterprise risk management as an “umbrella” framework, as it captures risk in all areas. Enterprise risk management and the associated tools are, in that sense, a platform designed to capture elements from existing tools, such as: (a) the United Nations and UNHCR security risk management policy; (b) the United Nations-wide programme criticality framework; (c) the United Nations-wide policy on organizational resilience management systems, including business continuity planning; (d) the UNHCR strategic framework for the prevention of fraud and corruption; (e) the UNHCR policy and procedures on anti-money-laundering; (f) the Preparedness Package for Refugee Emergencies and the (former) High Alert List for Emergency Preparedness; (g) risk-based approaches to partner selection, management, monitoring and auditing; (h) the policy and operational guidelines on addressing fraud committed by persons of concern; (i) data protection impact assessments; and (j) risks documented in standard operating procedures for cash-based interventions and “other programmatic areas”. The implementation of the “umbrella” concept cannot be easily assessed, because the risk management frameworks quoted above, although individually documented, are not connected and consolidated. A tool yet to be built that would connect all key frameworks might appear cumbersome; however, some frameworks should be better connected. For instance, in the Ukraine refugee crisis case study (see below), specific connection needs were identified, including with the United Nations-wide programme criticality framework, the Preparedness Package for Refugee Emergencies and the former High Alert List for Emergency Preparedness.

### **Distribution of responsibilities**

163. The responsibility for managing risks is shared at different levels. The key responsibility is that of the representative in the field, the director of the regional bureau, at the regional level, and the director of headquarters divisions or entities, in their capacity as risk owners, assisted by a risk focal point.<sup>18</sup> The core function of the focal points is to provide risk managers with adequate tools, as well as to ensure the development of risk management and of risk culture. They are responsible for analysing trends in risk management as reflected in the risk register data. Risk management is well integrated into the activities of senior management, and the Enterprise Risk Management Service provides constant technical support. The interplay between risk owners and managers is critical to mitigate risks. The Chief Risk Officer is entrusted with maintaining the operational and strategic risk registers, defining policies and providing guidance, support and training on risk management. The Board concurs with the OIOS recommendation to further strengthen the presence of the Chief Risk Officer in UNHCR governance bodies.

<sup>16</sup> The audit team noted that the consultant who delivered the 2019 report was also in charge of coordinating the OIOS advisory work in 2022, after being selected by OIOS in accordance with their procedures for engaging consultants.

<sup>17</sup> OIOS, “Advisory review on the functioning and effectiveness of risk management at UNHCR” (OIOS/2022/01/692).

<sup>18</sup> In addition, in selected high-risk operations, risk owners may also be assisted by in situ Risk Management and Compliance Advisers.

164. Improvements are needed in the field so as to allow the Enterprise Risk Management Service to fully deliver its results. The Enterprise Risk Management Service is committed to delivering four main results: (a) there is a clear framework and direction for enterprise risk management; (b) risk management is sustainably embedded and systematically implemented in UNHCR operations, both in the field and at headquarters; (c) risk management is mainstreamed into key organizational processes, in line with the enterprise risk management policy; and (d) the UNHCR strategic and operational risk registers are aligned with the strategic direction and objectives of the organization and support decision-making processes. To deliver these results, the Enterprise Risk Management Service relies on a growing network of staff and on increasing resources. The Board notes that weaknesses related to uneven commitments of the representatives in the field, the “tone from the top”, the differing profiles of the risk focal points and the inconsistent allocation of resources need to be addressed.

165. The role of risk focal points can still be reinforced and better supported by national staff. On the basis of the Board’s findings from the field, it appears that the criteria for the appointment of risk focal points would be both their personal qualities and their administrative status (project control or head of a dedicated unit). When the risk focal points have sufficient means of action, their departure can lead locally to a loss of competence. The Board concurs with the internal audit recommendation that staff with a support function for the risk focal point be identified, in particular national staff. The priority should be to ensure continuity in supporting the risk focal point by one or two alternates or by local correspondents in the sub-offices if needed. UNHCR meanwhile intends to continue the appointment of senior staff to ensure commitment from the leadership.

**(b) Maturity of the risk management system**

166. The online risk register tool has been consistently upgraded and is now a valuable device for risk management. However, UNHCR may seek to make it more efficient by questioning the usefulness of “green” risks, focusing risk treatments on higher risks, estimating and budgeting resources required by priority risk treatments, and ensuring consistency among operations with regard to the prioritization of risks and the practice of risk escalation.

167. While the regional bureaux are providing consistent quality assurance, they could still improve their added value to risk management by providing multi-country or regional reporting and analysis.

168. A major feature provided by the 2023 update of the strategic risk registers is the introduction of risk and control indicators. Nevertheless, the establishment of linkages between the strategic risk register and the various operational risk registers is a difficult task, even though they are not supposed to be fully aligned.

169. The key objective of integrating risk management into the operational cycle has not yet been fully achieved. Better linking risks to outcomes appears necessary to integrate risk management into results-based planning and budgeting.

170. On the basis of the country offices audited, it appears that greater consistency is necessary among operations with regard to the engagement of the field in risk management.

**Overview and key trends at the organizational level**

*Risk identification and assessment*

171. Risk data reveal how UNHCR has assessed and captured its risk universe. The Board analysed how the UNHCR risk universe was captured by risk registers as at

the end of 2022, i.e. after the annual review carried out by the country offices in mid-November 2022.<sup>19</sup> At the time of audit, the risk registers of regional bureaux and headquarters divisions or entities had not yet been reviewed, given that the deadline for their review was the end of February 2023. The Board analysed in a first stage data from country offices in order to obtain a vision of the risk universe of UNHCR as it is captured and depicted in the online risk register tool.

Figure II.I  
Key risk data at the end of 2022

	Headquarters	Regional bureaux	UNHCR global
Number of registers	27	7	152
Average risks per register	10	17	12
Risks by rating	High 43	High 33	High 446
	Medium 164	Medium 74	Medium 1 148
	Low 30	Low 2	Low 136
	Positive 22	Positive 13	Positive 155
<b>Total risks</b>	<b>259</b> (13.74 per cent of total UNHCR risks)	<b>122</b> (6.47 per cent of total UNHCR risks)	<b>1 885</b>

Source: Data from the UNHCR online risk register tool processed by the audit team in February 2023.

Note: The numbers indicated in this figure include sub-office-level risk registers and project risk registers.

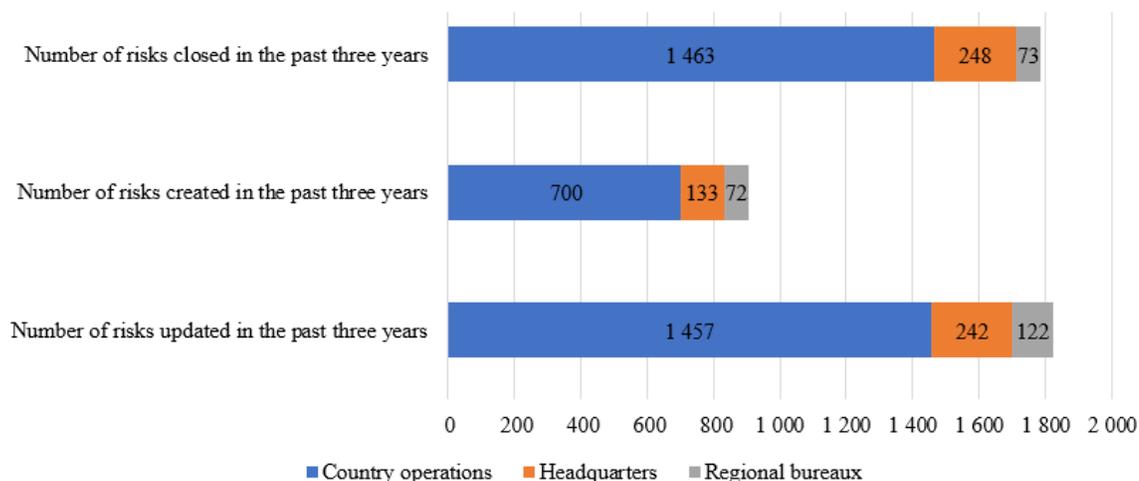
172. The overall number of risks is evolving in line with UNHCR policy. As at 1 May 2023, risks of country offices accounted for the large majority (82 per cent) of risks identified, against 12 per cent headquarters risks and 6 per cent regional risks. The total number of risks decreased by 1.5 per cent compared with the previous year (1,794),<sup>20</sup> which is considered consistent with the ongoing recommendation of the Enterprise Risk Management Service to focus on higher risks in order to achieve tighter management and more effective mitigation measures.<sup>21</sup> In the past three years, many more risks were closed (1,784) than created (905) and a substantial number of risks were updated (1,821). Thus, on the basis of risk register data, risk management appears to be rather dynamic, as updates are frequent, in line with the UNHCR enterprise risk management policy. In addition, as of May 2023, there were 1,767 risks and opportunities across 148 “official” risk registers (excluding non-mandatory or inactive registers), with an average of 11.9 risks per register, down from 12.2 a year before.

<sup>19</sup> Although risk registers may be updated throughout the year, country operations are only required to conduct an annual review. For 2023, the deadline was mid-November 2022 for country operations and the end of February 2023 for regional bureaux and headquarters, so that upper-level entities’ assessments are informed by risks reviewed at the country level.

<sup>20</sup> Analysis of the 2022 risk review conducted by the Enterprise Risk Management Service in June 2022.

<sup>21</sup> In a guide for conducting the annual risk review issued by the Enterprise Risk Management Service in October 2022, it is stated that “the risk register is a strategic tool for management; hence it needs to contain the most critical risks to the operation/entity”.

Figure II.II  
Evolution of risk registers



Source: Data from the UNHCR online risk register tool as at end of 2022 processed by the audit team.

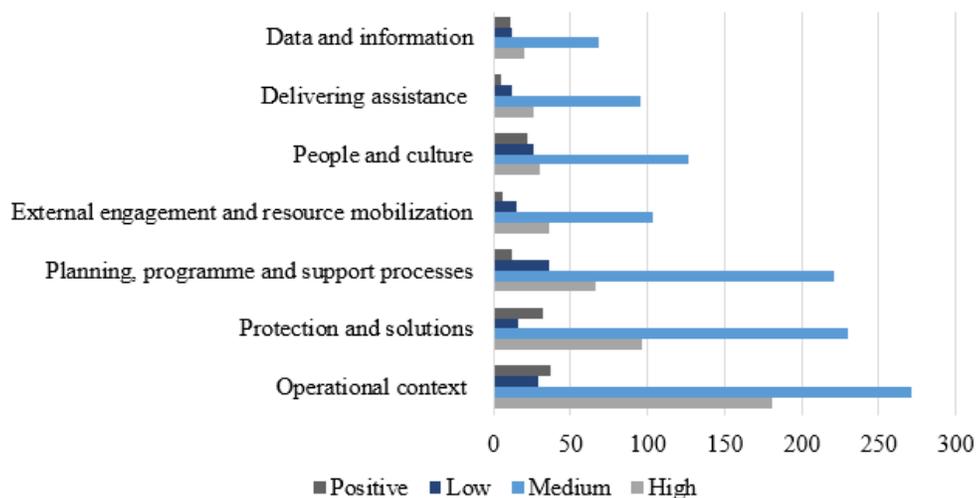
173. The added value and usefulness of “green risks” is unclear. Risk categories and risk ratings are allocated in accordance with the UNHCR mandate, which is implemented in country operations. The overall risk profile reveals a huge majority of medium risks (61 per cent) and a substantial proportion of high risks (24 per cent). The proportion of positive<sup>22</sup> risks (8 per cent) is significant. Positive risks, or opportunities, are a growing category,<sup>23</sup> initially underutilized, that the Enterprise Risk Management Service is promoting. However, the Board could not establish the added value and usefulness of “green risks”, in particular in regional bureaux. The strategic risk register, which is partly informed by the operational risk registers held at the regional bureau, country and headquarters levels, does not include low risks. UNHCR agrees that the focus should not be on low risks, but considers it relevant to maintain the category of “green risks” in the rating grid and holds that the current proportion of low risks is broadly appropriate.

<sup>22</sup> For readability reasons, “risk/opportunity” is not used in the present report, only “risk”.

However, it should always be assumed that a risk, as an uncertain future event, can be rated as positive.

<sup>23</sup> It is stated in the UNHCR enterprise risk management policy that with regard to opportunities, “UNHCR may either choose to immediately pursue the opportunity by taking action to increase the likelihood of it coming about, or to monitor the opportunity and attempt to pursue it later” (UNHCR/HCP/2020/2/Rev.1, annex C).

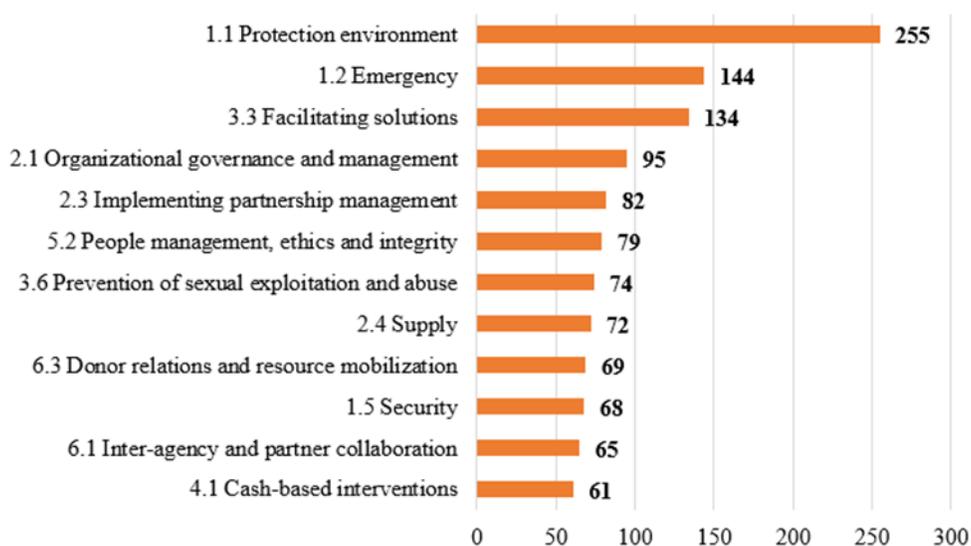
Figure II.III  
Distribution of risks by category at the end of 2022



Source: Data from the UNHCR online risk register tool processed by the audit team.

174. Most frequent risks reflect conditions for implementing the UNHCR mandate. Within the seven existing risk categories (updated in 2020), the Board analysed key information about the risks themselves, i.e. 30 subcategories, or labelled risks, that form the key components of the risk registers. Among the 12 most frequent risks, which together account for 64 per cent of the total number of risks, the two major risks are “Protection environment” and “Emergency”. They are part of the “Operational context” risk category, which relates to external contextual factors that affect the ability of UNHCR to deliver its mandate. This is consistent with UNHCR field activity and also with the strategic risk register.

Figure II.IV  
Twelve most frequent risks in 2022



Source: Data from the UNHCR online risk register tool at the end of 2022 processed by the audit team.

175. The risk ranking reflects the limits of inter-agency collaboration in the field. Subcategory 6.1, “Inter-agency and partner collaboration”, was designed to capture risks related to activities that involve UNHCR working cooperatively with United Nations agencies and partners other than implementing partners. Out of the 65 risks from subcategory 6.1, only eight (from seven countries) are rated positively by country offices. In addition to overall inter-agency cooperation, and also as a part of it, the inter-agency cooperation and coordination on risk management is a key criterion for assessing the maturity of a risk management system.<sup>24</sup> This criterion has not been met by UNHCR and was not considered in the benchmarking scope by OIOS in its 2022 advisory report.<sup>25</sup> Inter-agency cooperation on risk management is not the sole responsibility of UNHCR.<sup>26</sup> Resident coordinators and United Nations country teams have a key role to play. In addition, UNHCR brought to the attention of the Board that a given risk event may fall under a different subcategory than 6.1, while related causes or treatments have an inter-agency component. Nevertheless, developing inter-agency risk management would be useful and UNHCR should play its part in it.

176. UNHCR also pointed out that it has been actively involved in inter-agency collaboration on risk management at the global level and in 2023 is a Co-Chair of the Risk Management Forum of the High-level Committee on Management. At the field level, the inter-agency coordination on risk management is still developing, with few agencies having dedicated risk personnel on the ground. UNHCR considered, however, that good practices with active UNHCR involvement can be found in countries such as Somalia, the Syrian Arab Republic, Uganda, Ethiopia and Afghanistan.

#### *Risk mitigation*

177. As measures taken to mitigate risks are not accurately captured by data, their follow-up is uneasy. Among the 10,893 existing risk treatments at the end of 2022, 3,069 relate to high or very high risks and are sorted between reactive and proactive treatments. Several statutes are defined to reflect the stage of implementation that risk treatments have achieved. For proactive treatments, options are “in place”, “recurring”, “work in progress” or “not in place”, while for reactive treatments options are “not in place”, “work in progress” or “ready to activate”. According to the risk management policy, the status of each treatment shall be kept up to date by the risk owner.<sup>27</sup> Since 2022, it has been specified that risk treatments must be “SMART” (specific, measurable, achievable, relevant and timely). Statutes “in place” and “not in place” are clear, as are “ready to activate” and “not ready to activate”. UNHCR pointed out that “work in progress” is no longer an option for reactive treatments.

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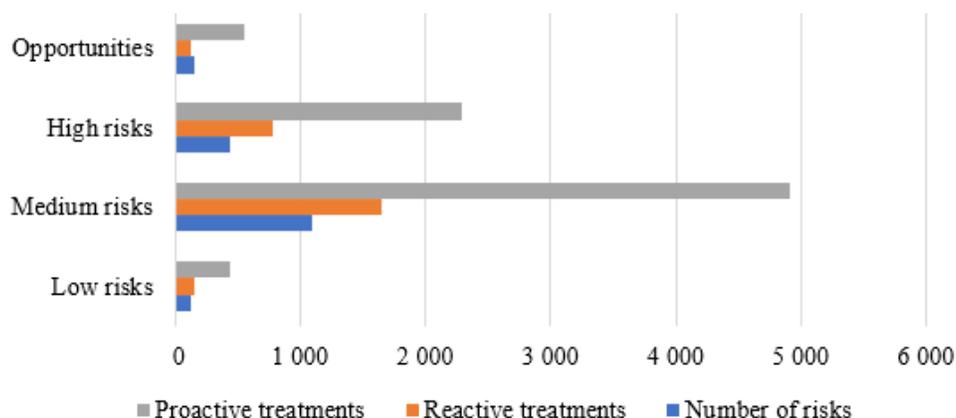
<sup>24</sup> Joint Inspection Unit benchmark 10 (see [A/75/718](#)).

<sup>25</sup> OIOS, “Advisory review on the functioning and effectiveness of risk management at UNHCR” (OIOS/2022/01/692).

<sup>26</sup> UNHCR reported to the Board of Auditors several cases of inter-agency risk management, including formalized risk management units in the Syrian Arab Republic, Somalia and Afghanistan.

<sup>27</sup> See policy for enterprise risk management in UNHCR (UNHCR/HCP/2020/2/Rev.1), sect. 7.1.

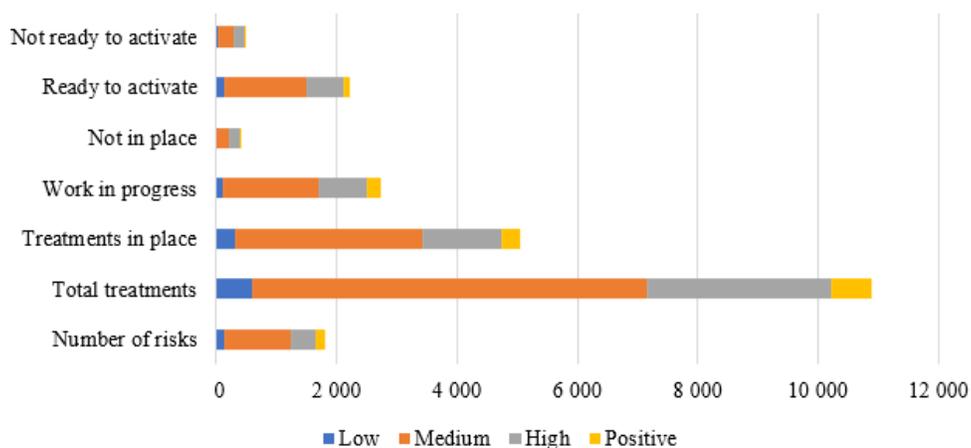
Figure II.V  
**Overview of risk treatments**



Source: Data from the UNHCR online risk register tool processed by the audit team.

178. Risk register data suggest that risk treatments are not sufficiently focused on the most critical risks. The proportion of treatment measures “in place” or “ready to activate” is lower for high risks and higher for lower risks (63 per cent v. 75 per cent). Similarly, the proportion of “work in progress” is much higher for high risks than for lower risks (26 per cent v. 18 per cent). Given that the risk rating is based on the product of the impact and likelihood ratings, risk data suggest that greater focus should be placed on the treatment of high risks and that lower risks (medium and low) deserve less priority and mitigation work. Indeed, the impact of insufficient or delayed treatment would be higher in the case of high risks. Revising priorities on risk treatments to focus more on high risks can be considered as part of the preparatory work related to risk appetite. Nevertheless, UNHCR considers it normal that high risks have more outstanding treatments because they require greater efforts, and that when measures are in place, risk can be downgraded.

Figure II.VI  
**Overview of risk treatment statutes**



Source: Data from the UNHCR online risk register tool processed by the audit team.

179. Mitigation measures must be funded to be effective. For risk management budgeting to be effective, it is important to strengthen common understanding and culture between risk focal points and programme managers in order for them to agree

on mitigation resources to be reflected in the budget and rely on a strong commitment from the representatives for the integration of risk into planning.

#### *Escalation procedure*

180. Risk escalation is a key component of enterprise risk management policy. The Enterprise risk management policy<sup>28</sup> provides that in situations where risk owners are unable to manage a particular risk at an acceptable level, they can escalate the risk to the next level. This is a key element of risk management at UNHCR, as it shares accountability between entities. When an operation lacks capacity or is facing a risk that exceeds its capacity, transferring responsibility to the upper, more equipped level<sup>29</sup> is a relevant procedure. A risk can be escalated for other reasons than capacity, for example when required actions are not adequately covered by an existing policy, the impact of the risk could have consequences beyond the country or region, or managing the risk requires cross-operation or cross-regional collaboration.

181. Reasons for risk escalation are neither clear nor consistently applied. In 2022, 15 country offices escalated risks: 4 to the Regional Bureau for Asia and the Pacific, 6 to the Regional Bureau for the Middle East and North Africa, 4 to the Regional Bureau for East and Horn of Africa and the Great Lakes, and 1 to the Regional Bureau for the Americas. Out of the 19 escalated risks, 10 were rated as high, 8 as medium and 1 as positive. The escalated risks belong to 12 different categories,<sup>30</sup> and the supporting rationale does not consistently show that the country office was really unable to manage the escalated risk or that cross-border cooperation was required. One risk was escalated for a very generic reason, namely that the budget of the operation was “reduced or stabilized due to global financial constraints that UNHCR is facing”.

#### *Procedure for closing risks*

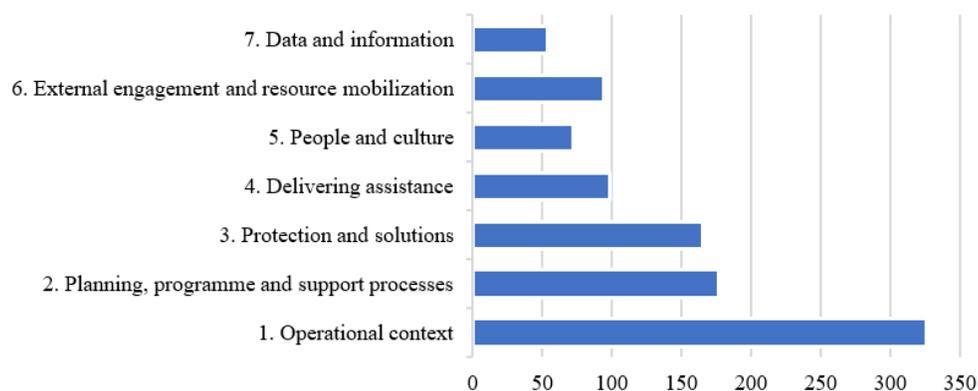
182. Closing risks is a key step in the review procedure and an essential element to keep the risk register accurate and relevant. According to the guidance issued by the Enterprise Risk Management Service, a risk can be closed when it is no longer relevant, insofar as an explanation is provided, for example that the risk: (a) has materialized and is being actively managed, and is not expected to occur again; (b) was mitigated, i.e. all treatments have been implemented and the remaining risk is too low to warrant its inclusion in the risk register; (c) is no longer significant, i.e. the context has changed and the level of risk/opportunity is now too low (and is expected to remain low for the foreseeable future) to warrant its inclusion in the risk register; or (d) was merged with another similar risk. Data on closed risks show a globally consistent approach in closing risk, taking into account the operational context.

<sup>28</sup> Ibid.

<sup>29</sup> A risk may be escalated from a country operation to a regional bureau, or from a regional bureau to the Enterprise Risk Management Service at headquarters.

<sup>30</sup> “Protection environment” (4), “economic and social context” (1), “organizational governance and management” (3), “planning and resource allocation” (2), “implementing partnership management” (1), “financial and administrative management” (1), “facilitating solutions” (2), “safety and security for persons of concern” (1), “essential services” (1), “personnel management and capacity” (1), “donor relations and resource mobilization” (1) and “people management, ethics and integrity” (1).

Figure II.VII  
**Closed risks by category (as at 20 February 2023 for current categories)**

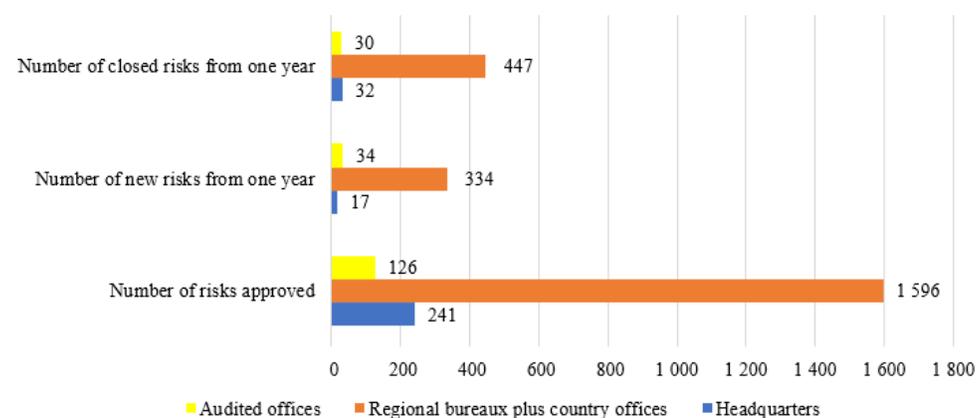


Source: Data from the UNHCR online risk register tool processed by the audit team.

### Risk management in the field

183. From October 2022 to January 2023, the Board audited risk management in a sample of six country offices: Egypt, the Niger, Colombia, Romania, Kenya and Malaysia. Risks of the audited country offices and regional bureaux account for 8 per cent of the total number of approved risks in country offices and regional bureaux, 10 per cent of the total number of new risks from one year and 7 per cent of the total number of closed risks from one year. The number of 750 mitigation measures defined by the audited entities is consistent, as it accounts for 8 per cent of the total number of mitigation measures (9,792) in field operations.

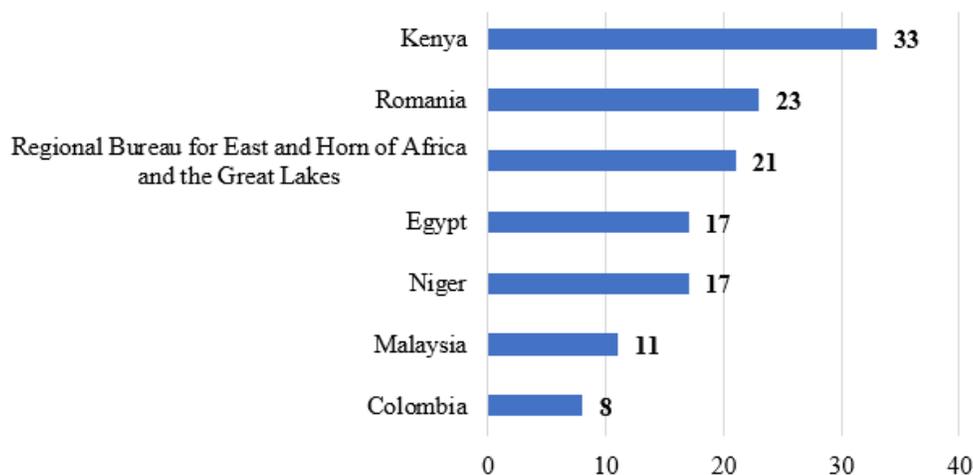
Figure II.VIII  
**Risks of the audited country offices and regional bureaux as at 15 February 2023**



Source: Data from the UNHCR online risk register tool processed by the audit team.

184. The audited operations manage a highly diverse number of risks, and their prioritization is unequal. According to UNHCR risk management policy and recommendations issued by the Enterprise Risk Management Service, a risk register should be “a strategic, prioritized set” and not “an exhaustive list”. The sample of audited country offices reveals that those guidelines, which have a strategic purpose, have been applied inconsistently. Moreover, by selecting a high number of risks, offices may face difficulties in setting efficient mitigation measures for all risks.

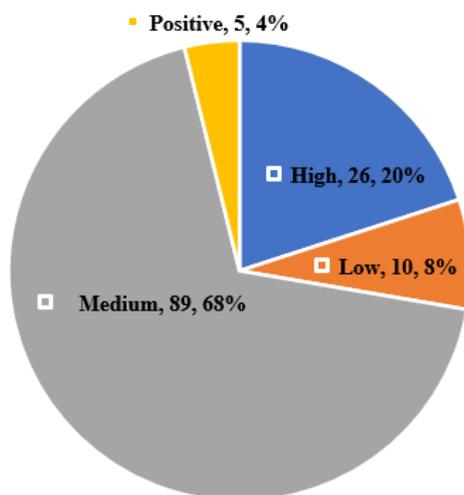
Figure II.IX  
**Number of risks and opportunities in audited entities**



Source: Data from the UNHCR online risk register tool as at end of 2022 processed by the audit team.

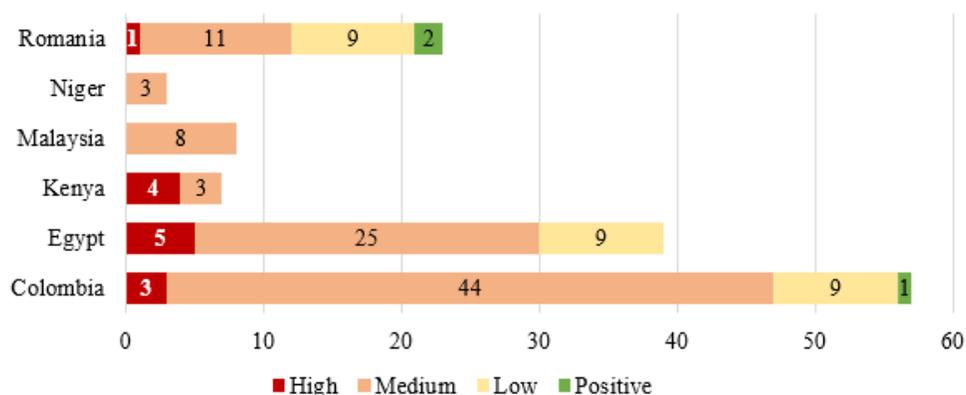
185. The risk categories and ratings in audited operations are consistent. The main risk categories selected by the visited country offices are linked to the operational context, people and culture, protection and solutions. The subcategory “cash based-intervention” of the category “delivering assistance” is identified in five out of seven offices. The rating of risks appears to be consistently distributed. The situation of closed risks in audited operations is as diverse as the situation of “living” risks, and reflects a more or less dynamic risk management.

Figure II.X  
**Risk rating in audited country offices**



Source: Data from the UNHCR online risk register tool as at end of 2022 processed by the audit team.

Figure II.XI  
Closed risks by rating as at end of 2022



Source: Data from the UNHCR online risk register tool as at end of 2022 processed by the audit team.

186. Some inconsistencies in management were identified at the field level. The prioritization and reallocation of actual resources did not consistently have a target date. In some cases, training on risks for partners was not sufficient, focal points were not given enough time to perform their duties and the risk review was not sufficiently informed by feedback from the field. Some treatment actions were in substance rather a part of an action plan to conduct routine activities than mitigation measures. A lack of consistency and pragmatism in the identification of treatment measures regarding the risk of reduction of resources was noted. In some cases, despite the visible commitment of the representative, integration in management practices, including planning and internal control processes, required further strengthening.

187. An effort is being made to incorporate risk management into all standard procedures. In one country, a consultant was hired in 2021 to establish a link between risk management and the internal standard operating procedures in compliance with UNHCR rules and guidance. This approach, as well as the formal result, which is an extension of each standard operating procedure, is a potential good practice. However, managers should ensure that users of the standard operating procedures really benefit from the development made to them, otherwise the exercise carried out would remain a formality.

188. Regional bureaux, supported by the Enterprise Risk Management Service, provided consistent quality assurance to audited operations. UNHCR risk management policy foresees that, in addition to managing their own risks, regional bureaux should play a role in the overall quality assurance, risk management and compliance roles of the operations under their responsibility.<sup>31</sup> On this basis, regional bureaux carry out a detailed quality control of each risk register after it has been reviewed and endorsed by the country representative, following the multifunctional and collaborative approach recommended by the Enterprise Risk Management Service.<sup>32</sup> Observations and proposals for changes formulated by the senior risk adviser of the regional bureau are discussed with the country representatives, in their capacity as risk owners, and usually lead to adjustments in the operational risk register.

<sup>31</sup> See policy for enterprise risk management in UNHCR (UNHCR/HCP/2020/2/Rev.1), sect. 7.2, on supporting risk management processes.

<sup>32</sup> Ibid., annex B: “Risk Owners shall ensure that a multi-functional approach is used with involvement of, at a minimum, all key international and national personnel regularly involved in decision-making and planning activities, representing a cross-section of geographic locations, roles and expertise in a given country operation, bureau or headquarters entity”.

189. The added value of regional bureaux in risk management could nevertheless be improved. The quality assurance performed by the regional bureaux could be better formalized and shaped in a more detailed report. Similarly, it would be of use to country risk owners for the regional bureau to circulate, in the region or in a group of homogeneous countries,<sup>33</sup> a summary analysis based on its expertise and knowledge of risk management trends at the regional level. Although the analysis that the Enterprise Risk Management Service circulates once a year provides a relevant picture at the global level, a more specific survey may be carried out at the regional level. Such a region-specific, in-depth analysis would help risk owners and focal points and operational staff, as well as stakeholders, even if, in principle, users of the online risk register can access risk information from other countries in the region. This approach should be carried out in a flexible way, however, and its usefulness should be checked over time.

### **The embedment of risk management**

190. From the outset, UNHCR has aimed to integrate the risk management process into the operational management cycle. Key steps of the risk management process as defined by UNHCR are: (a) establishing the context; (b) assessing risks (risk identification, risk analysis and risk evaluation); and (c) mitigating risks. In practice, phases of risk identification and risk analysis take place in the fourth quarter of each year and should be included in the planning of activities for the coming year.<sup>34</sup>

191. The embedment principle has been established since 2014, in the initial policy for enterprise risk management, in which it was stated that “risk management is an integral part of all organizational processes ... including planning and programme/project implementation”. It was then reaffirmed in the risk management 2.0 initiative: “achieving a better integration of risk considerations in planning and decision-making processes and strengthening accountability throughout the organization”.

192. A key step forward has been to link risks and outcomes by interfacing the risk register with the results-based management approach. Risks and opportunities are now reflected at all stages of the results-based management process, namely strategic planning, implementation and reporting. Interfacing allows users to see expected outcomes in the risk register and to see identified risks in the COMPASS software tool, introduced in 2021 to implement the results-based management approach. Detailed training material was made available online to help country offices to create the risk-outcome linkage. Key players that interact in the process are the planning coordinator, the results manager and the risk focal point.

193. The administrative instructions on COMPASS and on “showing results” do not provide a link between risk and outcome, although they define the strategic use of COMPASS. Staff were informed through the intranet that linking risks and opportunities to outcomes would become mandatory from the 2022 risk review. The formal administrative basis for that obligation is actually provided in the administrative instruction related to the “get” phase, as it is during annual implementation planning (which is considered part of the “get” phase) when risks should be linked to outcomes for the following year.

194. The sustainable integration of risk management into operational processes has yet to be ensured, in the planning phase as well as in the execution and reporting phases. Effective implementation of the embedment principle was not consistently

<sup>33</sup> Such as those covered by a risk situation officer.

<sup>34</sup> See UNHCR Manual, chap. 4, sect. 2.3.10 on detailed planning and budgeting: “During the detailed planning and budgeting process, operations are required to implement key elements of UNHCR Enterprise Risk Management ... systematic embedding of a risk-based management approach in the Partnership Agreement cycle”.

visible during the field or headquarters missions of the Board. In addition to the risk-outcome link, a clear definition of the mitigation measures is needed, as well as the cost of those measures, when resources are required. Until 2022, risk owners simply indicated in the online risk register, for each treatment, whether additional resources were required or not. No estimate or budgeting of those resources was visible in the risk register. UNHCR, however, is reluctant to introduce budgetary information into the risk register tool, as it considers that this would duplicate the process for budgeting in COMPASS and increase complexity.

### **Management of strategic risks**

#### *Linking strategic risks to operational risks*

195. A strategic risk register has been established from the outset of the risk management policy in order to differentiate risks that would have an impact on the whole organization from those risks linked to specific situations, countries and environments. The strategic risk register was developed in 2016 in parallel with risk assessments and reviews taking place in the field, but it is not a simple compilation of operational risks as it is also based on a central analysis at the senior management level.<sup>35</sup>

196. Although it is not supposed to be fully aligned, the strategic risk register is consistent with operational risk registers. The strategic risk register, which is structured differently from the operational risk registers, is coordinated by the Chief Risk Officer and approved by the High Commissioner in his capacity as the risk owner. It is updated<sup>36</sup> and maintained, with the support of the Enterprise Risk Management Service, by the senior executive team under the responsibility of the Deputy High Commissioner acting on behalf of the High Commissioner. The updating process is slightly different to the process for reviewing operational risks. The strategic risk register is updated on the basis of the strategic direction of UNHCR, but also on the basis of stakeholders' expectations and central analysis. By nature, the strategic risk register cannot be fully aligned with operational risk registers, and, according to the Enterprise Risk Management Service, a full integration of both registers is not expected beyond reasonable convergence. Although the strategic risk register is not a summary of other existing registers, it is fed by the main risk areas identified by the Enterprise Risk Management Service, drawing on risk registers of country operations, regional bureaux and headquarters divisions and entities. The Board's audit work confirmed, as the OIOS work did, that the Enterprise Risk Management Service provides the senior executive team and senior management with relevant and updated information on key risks.

197. The added value of all operational risk registers for decision makers cannot yet be ascertained, regardless of the quality of those registers. The system of risk management in place at UNHCR, consisting of a framework, a tool for identifying and analysing risks, a system of linkages and interfaces and a network of expert staff, can be described as advanced and in accordance with the principles defined at the level of the United Nations. The recurrence of some audit recommendations calls for caution with regard to the results achieved, or rather the ability of the system to overcome lasting weaknesses. The need for further integration in management has

<sup>35</sup> See policy for enterprise risk management in UNHCR (UNHCR/HCP/2020/2/Rev.1). Like the operational risk registers, the strategic risk register is an internal document that is not publicly shared. A summary list of the strategic risks is shared with all staff once a year.

<sup>36</sup> In 2018, one key expected output of the risk management 2.0 initiative, as defined by the Executive Committee, was that the strategic risk register would provide more information on the emerging risks.

been pointed out by OIOS, by the Board<sup>37</sup> and by individual consultants. The information technology and formal integration has progressed with the risk-outcome link in COMPASS but still needs to be consolidated. In its most recent advisory report, in November 2022, OIOS advised, despite the positive qualitative changes noted, that risk management be further integrated in the routine planning, execution and monitoring of programmes and administrative functions.

### *Strategic risks in 2023*

198. An adequate linkage between the strategic risk register and operational risk registers is expected. In 2018, after launching the risk management 2.0 initiative, the Executive Committee noted that the risks that featured highest in the strategic risk register were related to: (a) potential reputational damage to UNHCR due to a significant scandal; (b) emergency preparedness, response capacity and practices; and (c) registration, statistics and operational data management.<sup>38</sup> In 2016, the Executive Committee also noted, on the basis of several audit findings, that a clearer linkage between the corporate and strategic risk registers would be needed, although progress had been made. OIOS noted in 2022 that timely and accurate information on key risks was available to senior management through the strategic risk register.

199. The strategic risk register was marginally updated in 2021 and 2022, and then more substantially updated in February 2023. The 2022 update reveals a thorough analysis. While no specific changes were proposed to the existing risks, two potentially emerging strategic risks were identified, although they have not been formally added to the register yet. Moreover, stabilized and increasing risks were identified as well as treatments requiring urgent attention. The updated strategic risk register was also informed by key themes identified by at least six regional bureaux. In 2023, the number of categories (called “risk themes”) was reduced from 11 to 8, by merging: (a) “integrity, accountability and ethical conduct” with “UNHCR’s workforce” and “security” to create a new “workforce and culture” theme; and (b) “data” and “technology” to create “data and technology”. The number of risks, meanwhile, has been reduced from 16 to 13. One major new feature brought by the 2023 update is the introduction of risk and control indicators to measure the level and evolution of the key performance controls in place to mitigate the risk.<sup>39</sup> The indicators are related to the concept of risk appetite (see paras. 203–214 below), although specific levels or targets of risk appetite have not been consistently defined so far. While several indicators have no target, UNHCR stated that, as for many external sources of risk, such as the number of declared emergencies, a target would make little sense.

200. The Board welcomes the extensive simplification and restructuring that the Enterprise Risk Management Service has brought to the strategic risk register, and to the attention of the senior executive team.

**201. The Board recommends that UNHCR ensure more consistency in the way risks are reviewed and can be escalated at the level of regional bureaux, and reassess the level of monitoring needed on the less critical ones.**

202. UNHCR accepted the recommendation.

<sup>37</sup> The Board recommended that UNHCR work further towards the full integration of the corporate and strategic risk processes and embed the information flows more formally within the decision-making processes (A/71/5/Add.6, chap. II, para. 57) and ensure that the risk process is fully embedded in local business processes and utilized in the development of country office plans (ibid., para. 55).

<sup>38</sup> See EC/69/SC/CRP.18, para. 6.

<sup>39</sup> The treatment section of each risk is now called “key actions” to clarify that the document is not capturing a comprehensive set of mitigating actions for each risk (which will include several ongoing business-as-usual activities), but rather aims to focus on specific additional actions planned to address the risks.

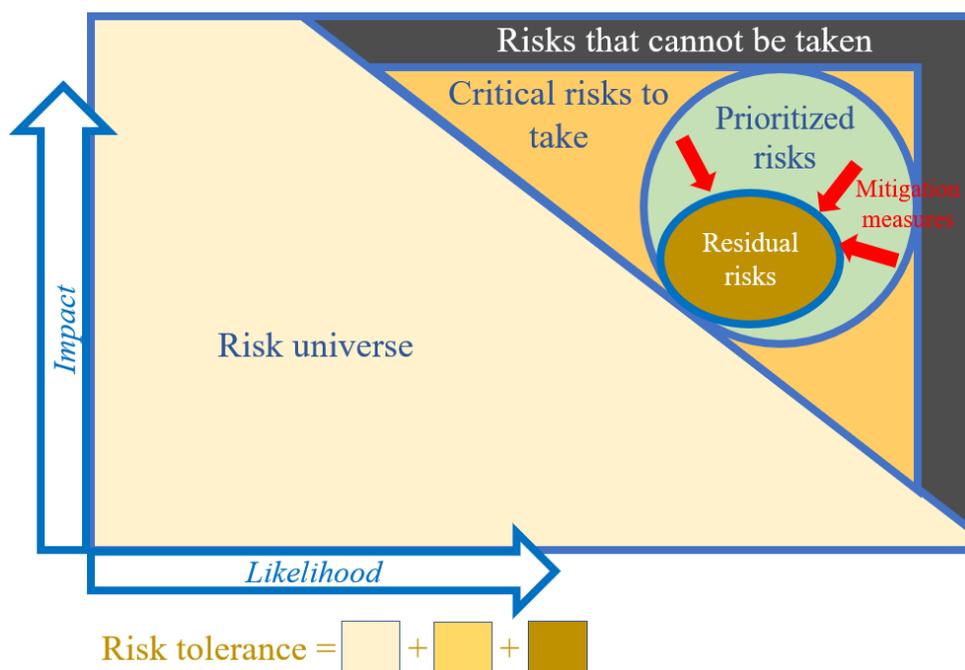
(c) **Appetite for risk**

203. UNHCR takes a cautious approach in implementing the key concepts of risk appetite and risk tolerance and is trying to build on existing practices. Beyond the preparation of a corporate risk appetite statement, which is well under way, experimenting with rolling out and operationalizing this type of tool at the country level requires a robust methodology adapted to diverse environments. The Enterprise Risk Management Service decided to use the strategic risk register as leverage to better define the tolerance for risk through a structured approach linking risk indicators with strategic risks.

**A pragmatic approach towards risk appetite**

204. The concepts of “risk appetite” and “risk tolerance” are key to unlocking risk management. The “risk appetite” defines the overall risk that an organization is ready to bear in pursuing its missions, whereas the “risk tolerance” concept is commonly used at a more granular and operational level for a given risk.<sup>40</sup> Risk appetite deals with the willingness of the organization to take on risk, while risk tolerance, drilling down from the overall risk appetite categories, deals with the concrete ability to do so at the operational level. The tolerance for risks includes three layers: risks that are not considered to be critical; critical risks that are not given priority; and the “residual risk” remaining after mitigation measures have been taken (see figure II.XII). Most essential is that the definition of a risk appetite, usually expressed by a “risk appetite statement”, may facilitate alignment with stakeholders, allowing risks to be prioritized (certain risks deserving more attention than others) and legitimizing actions even if they imply that a residual risk remains. The definition of a risk appetite needs to balance several factors, including financial ones.

Figure II.XII  
**Risk tolerance**



Source: Board of Auditors.

<sup>40</sup> See CEB/2019/HLCM/26.

205. Risk appetite has progressively been introduced by UNHCR. In 2018, when launching the risk management 2.0 initiative, following the advice of OIOS,<sup>41</sup> UNHCR estimated that at the initial stage of the development of risk management policy, introducing the concepts of risk appetite and risk tolerance could have adverse effects and create more confusion than benefits. UNHCR has chosen to wait until its management system reaches a sufficient level of maturity to introduce a formal risk appetite statement.

206. In 2020, when adopting its risk management strategy for the period 2021–2025, UNHCR maintained its pragmatic approach with a view to adopting a risk appetite statement in 2023. UNHCR did not provide a priori guidelines on risk appetite, and stated that “as the amount and type of risk that UNHCR may or may not take relative to objectives is expected to vary over time and based on context, this policy document is not a suitable place to specify this”. In line with the development trajectory of risk management that UNHCR had defined, the organization needs to implement methodical work leading to the formal adoption of a risk appetite statement in 2023, as planned.

207. The approach of the Chief Risk Officer for preparing the risk appetite statement builds on existing practices. In an early briefing paper, the Enterprise Risk Management Service noted that, assuming that effective managers and leaders have always intuitively applied risk appetite concepts, the main purpose of the risk appetite statement work is to “identify gaps where risk appetite is not clear, and monitor and report on actual risk against appetite consistently”. Similarly, in some cases, UNHCR may display a complete risk aversion (such as towards sexual exploitation and abuse and fraud). Therefore, the concept of risk appetite cannot be general but must be precise and located risk by risk. The Service is defining the purpose of a formal risk appetite statement as “achieving freedom within boundaries, assuming that by setting clear, measurable boundaries for acceptable risk, we can give more freedom to managers to act within those boundaries”.

208. A clear distinction is made between a public corporate statement and a more granular and operational definition of risk tolerance for internal purposes. The risk appetite statement is meant to be publicly available and broadly spread, and reflect a consensus with legislative bodies and key stakeholders. In order to avoid misunderstandings, targeted consultation and communication actions would be needed to properly draft the statement. Complementarily, a regional or country-specific definition of tolerance for operational risks is intended to remain confidential and guide managers’ risk-taking in the field. This internal information may include metrics defining the limits of acceptable risk, the publication of which could have adverse effects in certain environments. The publication of the risk limits that UNHCR has established in some countries could lead to adaptive behaviour, notably by potential fraudsters. Hence, the pilot approach adopted by the Enterprise Risk Management Service to define risk tolerance for internal purposes in selected countries appears relevant. UNHCR would nevertheless benefit from also applying this pilot approach in sufficiently diverse environments.

209. In May 2023, the Enterprise Risk Management Service was still building its methodology for testing operational risk appetite statements. In particular, the decisions on the number of risks and the number of countries to be tested were still in a preparatory phase. The Board welcomes the efforts undertaken, but was not able to assess the methodology adopted.

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<sup>41</sup> OIOS, report No. 2017/115 on the advisory review of the implementation of the enterprise risk management policy at UNHCR.

### **Building on the strategic risk register to promote risk appetite**

210. The concept of risk appetite has developed from the strategic risk register. It is part of the approach of the Enterprise Risk Management Service for moving towards a formal risk appetite statement, which will form the next stage of the enterprise risk management path, being the landmark for the highest level of maturity that UNHCR intends to achieve. At this preliminary stage, basic elements have been introduced in the strategic risk register to demonstrate the way of thinking that UNHCR is supposed to adopt for risk management.

Table II.6

#### **Basic table on risk appetite**

Indicator is below our appetite	We may wish to consider taking more risk in this area in pursuit of our objectives
Indicator is within our appetite	No action required
Indicator is towards the edge of our appetite	Raised attention is required and some preliminary action may be needed to keep the indicator within acceptable levels
Indicator is outside our appetite	Priority action is required to bring the indicator within acceptable levels

*Source:* UNHCR Enterprise Risk Management Service.

211. A key challenge is to link the freedom of risk-taking, defined by a risk appetite statement, with a clear and well-shared accountability system. The UNHCR Enterprise Risk Management Service has taken the strategic risk register as a starting point to elaborate a structured risk appetite approach linking risk indicators with each strategic risk. There is a clear principle that, when a risk is taken in a front-line activity, the associated decision cannot be taken by the second line entity. However, the principle has to be implemented in a context where risk management lines are no longer organic but functional and can be cumulative in a given service. Under these conditions, it is necessary to avoid misunderstandings and ambiguities when defining the limits of risk-taking. The basis for transferring responsibility for risk management from one line to another should be clearly defined.

**212. The Board recommends that UNHCR adopt, as a complement to the issuance of its corporate risk appetite statement, a consistent methodology for defining internally its tolerance for operational risks at the field level.**

213. UNHCR should start with a sample of country operations reflecting the diversity of its activities.

214. UNHCR accepted the recommendation, underlining that it is particularly helpful to the organization.

#### **(d) Resources allocated to risk management**

215. The UNHCR budget allocated to risk management increased substantially in 2018 and has been maintained since, which reflects a granted priority. However, an estimate of the full cost of risk management is missing, or at least an estimate of time dedicated to the function of risk focal points. Competencies in risk management should be promoted in the recruitment and human resources management policies and

processes. The substantial efforts undertaken by the Enterprise Risk Management Service to train staff on risk management must be continued.

#### **A priority in budget allocation**

216. Since 2014, UNHCR risk management has absorbed an increasing amount of staff and administrative budget resources. According to management information provided to the audit team, at the end of 2022, the enterprise resource management network comprised 38 positions, 8 of which were in the Enterprise Risk Management Service (including one roving risk adviser). Seven senior risk adviser positions were based in regional bureaux, with five support positions. Five “situational” risk advisers and 13 country-based risk advisers/officers were located in high-risk operations. In addition, there is the so-called “risk management community of practice”, which includes more than 270 risk focal points and backups who handle risk management responsibilities in addition to their regular duties. At headquarters, all divisions have a risk focal point but the overall responsibility of risk management and policy belongs to the Enterprise Risk Management Service. In 2022, the risk management network comprised the Enterprise Risk Management Service at headquarters, Senior Risk Management and Compliance Advisers in each regional bureau, the Senior Risk Management and Compliance Advisers having a situational role (covering multiple operations e.g. the Afghanistan, Myanmar, Association of Southeast Asian Nations and Sahel situations), the Senior Risk Management and Compliance Advisers based in high-risk operations,<sup>42</sup> and a roving risk adviser within the Enterprise Risk Management Service providing support through short-term missions. In addition, UNHCR pointed out that some operations have established small risk management units and remunerate support staff that are not counted in the above figures.

217. Enterprise risk management is granted priority despite the global UNHCR budget constraints. The operating level remained stable between 2022 and 2023. The level of expenditure in 2022 reached almost the level of the planned budget (99.7 per cent). Meanwhile, the overall budget for headquarters decreased by more than 7 per cent (from \$707 million to \$657 million).

218. The total cost of all risk management activities cannot be fully established. According to budget data on staff costs provided by COMPASS at the end of 2022, the risk management network comprised 38 budgeted positions, namely 31 positions in the Professional and higher categories and 7 General Service and National Professional Officer positions (1 at headquarters, 5 in regional bureaux and 1 in a country office).<sup>43</sup> Meanwhile, as at the same date, the Enterprise Risk Management Service comprised eight positions. The “operating-level position overview” of the risk network comprises 32 positions that bear “risk” in their job title but it could not be determined whether this encompasses all risk-related positions. UNHCR pointed out that some positions that contain “risk” in their title are not considered to be part of the risk management network (e.g. positions in the Treasury Section of the Division of Financial and Administrative Management and in the Division of Emergency, Security and Supply relating to supply, human resources and information technology).

219. The estimated staff costs of the enterprise risk management network amounted to \$8.5 million for 2022, which translates into an average of \$0.2 million per position.

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<sup>42</sup> Operations benefiting from the deployment of Senior Risk Management and Compliance Advisers from 2018 to 2022 include those for the Afghanistan, Myanmar, Association of Southeast Asian Nations and Sahel situations, and those in Bangladesh, Chad, the Democratic Republic of the Congo, Ethiopia, Greece, Iraq, Kenya, Lebanon, South Sudan, the Sudan, Tunis (for Libya), Uganda, the United Republic of Tanzania and Yemen.

<sup>43</sup> Of the 26 Professional positions, some are temporary assignments and some are home-based.

Table II.7

**Staff costs and funding of the enterprise risk management network**

(United States dollars)

	<i>Headquarters</i>	<i>Global enterprise risk management programme</i>	<i>Regional bureaux</i>	<i>Country offices</i>	<i>Total costs</i>	<i>Percentage</i>
Enterprise Risk Management Service	1 344 885	465 591	–	–	1 810 476	21.4
Regional bureaux	–	–	2 075 248	–	2 075 248	24.5
Country offices/situations	–	2 393 881	770 901	1 427 639	4 592 421	54.2
<b>Total funding</b>	<b>1 344 885</b>	<b>2 859 472</b>	<b>2 846 149</b>	<b>1 427 639</b>	<b>8 478 145</b>	<b>100.0</b>
Percentage	15.9	33.7	33.6	16.8	100.0	

Source: UNHCR data as at end of 2022, processed by the Board.

Table II.8

**Grades in the enterprise risk management network**

	<i>D-1</i>	<i>P-5</i>	<i>P-4</i>	<i>P-3</i>	<i>G-6</i>	<i>NPO</i>	<i>Total</i>
Enterprise Risk Management Service	1	2	1	3	1	–	8
Regional bureaux	2	10	–	–	–	–	12
Country office	2	6	1	3	5	1	18
<b>Total</b>	<b>5</b>	<b>18</b>	<b>2</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>38</b>
Percentage	13.2	47.4	5.3	15.8	15.8	2.6	

Source: UNHCR data, processed by the Board.

Abbreviation: NPO, National Professional Officer.

220. There is no estimate of the time spent in the field on risk management, in particular by risk focal points. Even if the exact amount of enterprise risk management-related resources consumed at the local level cannot be easily measured, a minimal estimate would be useful. Beyond diversity in funding methods (for headquarters, programmes and country offices), it would allow the Enterprise Risk Management Service to gain a clearer vision of the intensity and the reality of efforts to manage risks in the field.

221. UNHCR may now decide whether additional resources would still be required for the implementation of enterprise risk management in the coming years, and at what level. After a take-off phase that has produced tangible results, risk management may now enter a cruising phase, in terms of resources, and deploy its action in a more qualitative manner with constant resources. A comprehensive cost assessment of enterprise risk management (scope, global costs, training, travel, full-time equivalents) would then bring clarity and inform senior management decisions.

**Need to further include risk management in human resources management**

222. Training and capacity-building on risk management is available to all staff. UNHCR does not intend to specialize people permanently in the risk management function, as this would not be consistent with the policy principle of dissemination, and “risk is everyone’s business”. At the same time, UNHCR needs to develop expertise and to rely on a network of people capable of expanding risk management

knowledge and culture. The career potential of staff recruited to dedicated Risk Adviser positions cannot yet be assessed because the positions have been established recently. Staff members having gained substantial experience in risk management should not remain only in dedicated Risk Adviser positions, and their skills may be used in other management positions. UNHCR should find the right balance to combine the need for risk expertise and the need to avoid any “risk management bureaucracy”. The Board encourages the Enterprise Risk Management Service to draw the attention of the senior executive team to the strategic issue of long-term specialization of risk managers. While building a strong risk culture through behavioural change within the organization is a long-term endeavour, as stated in the risk management strategy for the period 2021–2025, this does not mean that long-term assignments in risk management are the sole way to succeed.

223. The substantial efforts to train staff on risk management should be continued. The increasing effort on risk management training that the Board observed in field visits, as well as the attractive training material available to staff through the UNHCR intranet, is certainly a key achievement with regard to the dissemination of risk culture among staff. The Enterprise Risk Management Service is still improving the training programme and training approach by targeting more precisely some categories of staff or stakeholders, namely implementing partners. The next stage of risk management development, i.e. moving to risk appetite and risk tolerance, will require a specific training approach and programme.

224. Risk management is not sufficiently reflected in job descriptions. In addition to the significant training effort undertaken, the Board examined how skills and performance related to risk management were integrated into human resources policy. Risk management components have been introduced in some standard job descriptions. The Division of Human Resources explained that 69 standard job descriptions refer to risk management as part of the tasks of the incumbents. However, at the end of 2022, 854 standard job descriptions were available. Thus, only 8 per cent of job descriptions refer to risk management, which is not fully in line with the enterprise risk management policy: “Risk is everyone’s responsibility: anticipating, identifying and responding to risks and opportunities at different levels is an integral part of everything UNHCR does. All UNHCR personnel should have a ‘risk reflex’ and are expected to proactively identify, assess and manage risks during their day-to-day work.”<sup>44</sup> UNHCR pointed out that, reflecting this, discussions were ongoing between the Enterprise Risk Management Service and the Division of Human Resources to update a broader set of job descriptions.

225. The policy on performance management and the development framework make no mention of risk management. Yet the purpose of this policy,<sup>45</sup> dated 30 September 2022, is to promote “a culture of high performance, honest and constructive feedback, inclusive management practices, individual development, people engagement, a positive experience for the diverse workforce, and continuous learning that allows fair evaluation of performance”.<sup>46</sup> UNHCR explained that the full operation of Workday would contribute to the competencies relating to risk being continually updated.

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<sup>44</sup> See policy for enterprise risk management in UNHCR (UNHCR/HCP/2020/2/Rev.1).

<sup>45</sup> UNHCR/HCP/2022/05.

<sup>46</sup> Ibid.

Table II.9  
Competencies linked to risk-taking and risk management

<i>Competency</i>	<i>Subcategory of behavioural indicators for levelled competencies</i>	<i>Reference to risk</i>
M001 Empowering and building trust	M001L3 Actively delegates significant responsibility and works to develop a sense of trust.	Encourages risk-taking and supports creativity and initiative.
M003 Judgment and decision-making	M003L3 Uses objective reasoning and insight to take into consideration critical aspects of medium- and long-term decisions.	Able to make mature and well-reasoned decisions and manage these through to implementation in less-than-secure environments, managing related risks with pragmatism and courage.
M004 Strategic planning and vision	M004L2 Adopts a strategic perspective and incorporates strategy into work and pursues projects with the overall vision in mind.  M004L3 Defines strategic goals and understands the importance of a clear, well-articulated direction.	Identifies strategic issues, opportunities and risks and aligns actions to the UNHCR vision, values and mandate.  Able to identify and/or create the vision for a project (higher goals and objectives, issues, opportunities and risks).  Identifies strategic issues, opportunities and risks.
X001 Analytical thinking	X001L3 Takes data and information analysis to the next level, taking recommendations with options, reviewing implications for the future; forms decisions.	Anticipates the risks or implications inherent in a suggested plan of action and proposes appropriate strategies to mitigate their impact.
X002 Innovation and creativity	X002L3 Fosters risk-taking with ideas and new ways of approaching work in others; openness to new approaches.	Takes calculated risks on new and unusual ideas; thinks “outside the box”.
X005 Planning and organizing	X005L1 Organizes work according to established plans, allocating time and resources.  X005L3 Carries out planning exercises with the team to identify resources needed early on; establishes management tools to monitor plan efficacy.	Foresees risks and advises those responsible for the plans and activities.  Establishes robust project disciplines, including participatory planning, contingency planning and risk assessment, milestones and measurement processes, regular reviews and reporting activities.
X008 Stakeholder management	X008L2 Engages with stakeholders and collaborates with partners, ensuring buy-in for plans.	Identifies the risks and opportunities linked to the perspectives of different stakeholders, and puts plans in place to address them.

Source: UNHCR Competency Framework, 2012.

226. So far, risk management is not a recognized competency. Although the Enterprise Risk Management Service has strongly encouraged the inclusion of risk management in objectives submitted to the annual appraisal, there is no specific mention or item in staff performance appraisals related to risk management, risk understanding or risk-taking. According to the explanation provided by the Division of Human Resources, it may be difficult to set risk management objectives that would

be relevant in all operations, while the risk attitude of country representatives remains unequal. Similarly, the Division explained that rewarding risk management performance with a “fast-track” career would be “culturally difficult” in the current state of mind among UNHCR staff. Furthermore, the Division explained that the risk management performance, in practice, would not be easily isolated from other components of staff performance. The Board reached the same conclusion as the internal audit with regard to the integration of risk management skills.<sup>47</sup> It also understands that the Enterprise Risk Management Service and the Division of Human Resources have been engaged in a dialogue to integrate risk management competencies into staff appraisals in a concrete manner. The Enterprise Risk Management Service explained that the generic risk management objective was shared with managers and risk focal points, so as to allow them to adapt competencies to their context and needs.

**(e) First and second “lines of defence” in risk management**

227. Effective implementation of the “three lines of defence” model and of the accountability for risk management is an ongoing process.

**Reporting lines for risk management**

228. Reporting lines for enterprise risk management are not fully consistent and may hamper effectiveness. With regard to risk management, country offices report to the regional bureau, namely the Senior Risk Management and Compliance Adviser. The possibility of communications between the regional bureau and the country office not reaching headquarters divisions may hamper the sound functioning of the risk management. Indeed, “headquarters divisions play an essential role in overseeing the global implementation of risk management and internal controls”. They may elevate significant or emerging risks to the attention of the senior executive team, and “they support the role of the bureaux by developing risk-based policies and processes”.<sup>48</sup> The structure of reporting lines could be enhanced in specific cases and, in addition to the Enterprise Risk Management Service, headquarters divisions could also benefit from a direct input related to operations within their purview. This applies in particular for some policies that focus on specific risks, such as gender-based violence, fraud or cash-based interventions management.

**Ensuring consistency with the “three lines” model**

229. In 2014, the High-level Committee on Management recommended that United Nations institutions implement the “three lines of defence” model as a common reference for oversight and accountability.<sup>49</sup> The initial objective of the model was to ensure that risk management and internal control functions were complementary and provide assurance that risks were mitigated. UNHCR adopted the three lines of defence model in June 2017 and initially based its “second line of defence model” on six key activities: (a) policy design development; (b) performance monitoring; (c) compliance monitoring; (d) risk management support and oversight; (e) emerging issues monitoring; and (f) guidance and training. In the initial phase of implementation of the enterprise risk management policy, OIOS mentioned, in a specific advisory review,<sup>50</sup> a weakness in the second line of defence that may hamper the mitigation of

<sup>47</sup> In its 2022 advisory report, OIOS recommended that: (a) risk management be recognized as a management competency; and (b) enterprise risk management competencies be assessed in annual performance appraisals for relevant staff members.

<sup>48</sup> See statement of internal control, 2022, signed by the High Commissioner (chap. IV below).

<sup>49</sup> See CEB/2014/HLCM/14/Rev.1.

<sup>50</sup> OIOS, report No. 2018/048 on the advisory review of the implementation of risk management and control responsibilities of functions considered part of the second line of defence at UNHCR.

identified risks. OIOS then proposed two scenarios for better structuring the second line of defence, the horizontal scenario and the vertical scenario. UNHCR adopted the so-called “vertical” model, where divisions play only a normative role and leave monitoring responsibilities to the bureaux. However, UNHCR pointed out that the existing reporting lines for enterprise risk management are consistent with the design of the organization’s decentralized and regionalized architecture, which comprises both strong hierarchical reporting lines (“blue lines”) and soft relationships (“green lines”).

Table II.10

**Two models to establish the second line of defence**

<i>Vertical model</i>	<i>Horizontal model</i>
Divisions are responsible only for normative aspects of the organization’s work	Divisions play an important value-adding role in risk management and performance and control monitoring and support
Bureaux are in charge of all monitoring of performance and compliance and of risk management oversight	Bureaux have the knowledge of activities in their region but benefit from substantial support provided by divisions

*Source:* OIOS, report No. 2018/048.

230. The consistency of risk management with the “three lines model” is an ongoing process. UNHCR has applied the updated “IIA 2020” model to its revised roles, accountabilities and authorities framework, issued in November 2022, although it has yet to align chapter 2 of the UNHCR Manual, on organizational structure. Information on the new version was communicated to managers to help them to review risk management and control systems under their responsibility.<sup>51</sup> The “3L model” is no longer intended to address confused or overlapping roles, capacity gaps or unclear accountabilities, which are addressed by the roles, accountabilities and authorities framework. It is now intended to be “a lens through which to look at how risks are managed at different levels” and to provide high-level guidance on “how to identify and structure the interaction and responsibilities of the key players”. A key change in the new model is that the first line and the second line may now be combined, including at the level of an individual. The new “IIA” model has enabled greater flexibility for UNHCR to adapt concepts to the complexity of the organization and the implementation of decentralization and regionalization. If oversight functions were to become too widely dispersed, this could contradict the decentralization process and hamper the improvement in risk management that is still needed, both in terms of prioritizing and mitigating the most critical risks, in a way that is fully integrated with operational management in the field.

<sup>51</sup> UNHCR three lines model, October 2021. The “updating” refers to the updating of the model launched by the Institute of Internal Auditors in 2013 and revised in 2020.

Table II.11  
Evolution of the three lines model

	<i>Initial model</i>	<i>Updated model</i>
First line of defence	Owning and managing risks	Delivering products and services, including support for managing risks and performing internal controls
	Country offices	Country offices plus regional bureaux and headquarters divisions (partially)
Second line of defence	Overseeing risks: monitoring and management control functions, e.g. risk management, compliance, budget monitoring and quality assurance	Monitoring, oversight, advice, guidance, analysis and reporting with respect to the management of risks by first-line actors
	Regional bureaux and headquarters divisions	Regional bureaux and headquarters divisions plus country offices (partially)
Third line of defence	Independent assurance and advice on the adequacy and effectiveness of governance and risk management	Independent assurance and advice on the adequacy and effectiveness of governance and risk management
	OIOS, Inspector General's Office and Evaluation Service	OIOS, Inspector General's Office and Evaluation Service, further complemented by external assurance providers (Board of Auditors, Joint Inspection Unit and Independent Audit and Oversight Committee)

Source: UNHCR, three lines model, October 2021.

**(f) Lessons learned from the management of risks in the Ukraine refugee crisis**

231. The quality and relevance of risk management tools existing when the Ukraine refugee crisis struck differed, as the regional-level risk register was better maintained than the country risk registers. Nevertheless, innovative risk management tools were set up in the early stage of the crisis. The real-time review of the UNHCR response also showed a lack of flexibility in some emergency processes.

**The initial response to the refugee crisis by the Office of the United Nations High Commissioner for Refugees**

232. The Ukraine refugee crisis stretched UNHCR response capacity in 2022. As of May 2023, more than 13 million people had crossed the Ukrainian border into neighbouring countries, 90 per cent of whom were women and children; 4 million refugees from Ukraine were recorded across Europe; and 7 million people were internally displaced. UNHCR estimates that, overall, some 17.7 million people are in urgent need of humanitarian assistance and protection.<sup>52</sup> The UNHCR response to that unprecedented situation was triggered by an emergency declaration, i.e. a procedure that enables a fast-track system to be put in place to mobilize resources for the response.<sup>53</sup>

<sup>52</sup> See <https://data.unhcr.org/en/situations/ukraine>.

<sup>53</sup> See UNHCR, "Policy on emergency preparedness and response 2023", 1 February 2023.

Table II.12  
**UNHCR emergency procedure**

<i>Procedure</i>	<i>Situation where the procedure applies</i>
Level 1 emergency: proactive preparedness and initial response	A country operation or country operations must enhance preparedness and take anticipatory or early action due to a high risk of a humanitarian emergency, or to commence an initial response, while its or their current capacity is insufficient.
Level 2 emergency: stepped-up regional bureau support	In a rapidly evolving humanitarian situation, a country operation or country operations face significant gaps in resources, staffing and expertise, and need additional support and resources from the regional bureau or bureaux to respond and assume a coordination and operational role.
Level 3 emergency: whole-of-UNHCR response	In an exceptionally serious situation in which the scale, pace, complexity and consequences of the crisis significantly exceed the existing response capacities of the country operation or country operations and relevant regional bureau or bureaux, an institutional, whole-of-UNHCR response is called for to prevent the risk of failure to deliver effectively and at scale.

*Source:* UNHCR “Policy on emergency preparedness and response 2023”. Level 1 is declared by the Deputy High Commissioner, and levels 2 and 3 by the High Commissioner; since the 2019 decentralization, all levels are managed by the relevant regional bureau.

233. The activation of contingency plans and the declaration of an emergency were the first steps of the UNHCR response. Contingency plans were activated on 24 February 2022, and a level 3 emergency was declared on 25 February. An initial level 1 emergency had been declared only one week before the crisis began, while a high risk related to “response emergencies, including conflict situations” had been provided in the regional risk register since the end of 2021. As at 24 March 2022, one month after the outbreak of the crisis, more than 3.5 million refugees had reached neighbouring countries of Ukraine. In response, UNHCR had deployed more than 150 emergency staff to six countries,<sup>54</sup> the regional refugee coordination model<sup>55</sup> had been established in those neighbouring countries, and new humanitarian clusters had been activated in Ukraine. UNHCR had received and allocated \$416 million to the Ukraine situation response. The roll-out of enrolment and cash assistance commenced by mid-March, first in Poland and then in other neighbouring countries. The level 3 emergency was not renewed outside Ukraine, even though the situation had clearly not stabilized, but the Division of Emergency, Security and Supply considers the non-renewal as normal because the means deployed have allowed UNHCR to respond to the emergency.

<sup>54</sup> Poland, the Republic of Moldova, Romania, Hungary, Slovakia and Belarus.

<sup>55</sup> See <https://emergency.unhcr.org>.

Table II.13  
**Emergency procedure for the Ukraine crisis**

<i>Declaration of emergency</i>			
<i>Start</i>	<i>End</i>	<i>Type</i>	<i>Countries covered, key steps in crisis management</i>
18 February 2022	24 February 2022	Level 1 <sup>a</sup>	Poland, Republic of Moldova, Romania, Ukraine
25 February 2022	15 March 2022	Level 2	Belarus, Hungary, Poland, Republic of Moldova, Romania, Russian Federation (until 24 August 2022), Slovakia
25 February 2022	19 September 2022	Level 3	Ukraine
1 March 2022			UNHCR first regional refugee appeal for \$550 million, Office for the Coordination of Humanitarian Affairs flash appeal for \$1.1 billion
5 March 2022			The Emergency Relief Coordinator declared the humanitarian system-wide scale-up protocols
14 March 2022			The High Commissioner appointed the Director of the Regional Bureau for Europe as the regional refugee coordinator
15 March 2022	19 September 2022	Level 3	Hungary, Poland, Republic of Moldova, Romania, Slovakia
19 September 2022	5 March 2023	Level 3	Ukraine
19 September 2022	31 December 2022	Level 3	Hungary, Poland, Republic of Moldova, Romania, Slovakia

Source: UNHCR.

<sup>a</sup> Internal procedure for proactive preparedness.

### **Risk management perspective**

234. The audit team examined the risk registers of the Regional Bureau for Europe, of the Ukraine country office and of five neighbouring countries as they were when the crisis broke out.

#### *Regional Bureau*

235. The regional risk register was well maintained. In the risk register of the Regional Bureau at the end of 2021, out of the 15 existing risks, 2 were rated as high. Two weeks before the crisis began, the risk was well anticipated in the risk register.

#### *Country office*

236. The Ukraine country office risk register could not be reviewed in time. The risk register included three risks that were rated high, but none of them referred to the tensions that led to the crisis. The risk register for 2022 had not been reviewed by the Regional Bureau in February 2022, owing to the crisis. The Regional Bureau postponed the quality review to help the country office deal with the emergency, which was undoubtedly the right decision to take at the time. However, UNHCR pointed out that the emergency risk was well anticipated by the Bureau and the

Ukraine operation, the risk was indicated in the Bureau risk register, and the Ukraine operation, in close collaboration with the Bureau and situation countries, had engaged in the development of contingency plans, which were triggered immediately when the war broke out, indicating that the emergency risk was well managed by the Ukraine operation.

237. The country risk register, as of November 2021, was not fully maintained. A level 1 emergency declaration was adopted prior to the beginning of the crisis, in line with the logistics plan for Ukraine of the Office for the Coordination of Humanitarian Affairs, which had been updated in May 2021. However, the country office risk register reviewed in November 2021 did not contain any mention of an emergency, while the regional register contained a high risk related to an emergency. The lesson learned from this finding is that the objective information that indicated an elevated emergency risk as of May 2021 was not considered by UNHCR in Ukraine. This suggests a need to better organize information-sharing with the Office for the Coordination of Humanitarian Affairs in the future so that signs of increased risk can be incorporated in time into country risk registers and adequate treatments can be put in place.

#### *Neighbouring countries*

238. Risk registers of neighbouring countries were unequally maintained and not up to date at the time of the crisis. The risk register of the Hungary country office, dated February 2022, includes five risks rated as “high” that do not refer to the tensions that led to the crisis. The risk “influx of asylum-seekers from Ukraine in the event of a renewed eruption of fighting” was listed at the medium level. This risk in the Hungary country risk register applies to Czechia, Hungary, the Republic of Moldova and Slovakia. The risk registers of the Poland and Romania country offices needed to be updated to reflect the tensions that led to the crisis. The latest version of all risk registers of the situation countries were maintained, in particular with regard to the emergency risk, and the ability of each operation to respond to the crisis is reflected by the fact that they all have a set of proactive measures.

239. UNHCR has identified the provision of risk expertise as a priority. At the beginning of the crisis, in March 2022, a Senior Risk Adviser (P-5) was deployed as a senior field coordinator, then as an assistant representative for operations and programmes. A Senior Risk Officer position at the P-4 level was created, but the identification of the right candidate took place later. Eventually, the risk register was updated only at the end of 2022 to include several high risks related to the crisis. At the end of 2022, risks were well listed in the Ukraine risk register, but the absence of an update during 2022 made the register inoperative in the first months of the crisis, albeit for legitimate and unavoidable reasons.

#### *“Situation” risk register*

240. UNHCR established a comprehensive “situation” risk register only a few weeks after the outbreak of the crisis. This tool was drafted at the initiative of the Regional Bureau for Europe to list the broader regional strategic risks related to the crisis. The register covers 20 risks, 11 of which are rated high. The tool is managed by the Director of the Regional Bureau as the sole risk owner, without formal written support or review from the Enterprise Risk Management Service. The tool was set up only a few weeks after the outbreak of the crisis, in March 2022, and then was updated several times. It is the first comprehensive situation risk register, even if some previous similar risk assessments have been carried out for specific situations, albeit not in the form of an operational register (Sahel, Kenya camp closure, voluntary return in Burundi, and Afghanistan). A situation risk register, by its nature, may be useful if prepared early and not updated unless a substantial deterioration of the crisis

occurs. The usefulness of the Ukraine situation risk register could not be evaluated properly but, according to UNHCR, staff involved in the emergency consider that it brought added value in terms of clarity and holistic vision.

*Strategic document identifying global risks for the Office of the United Nations High Commissioner for Refugees in the crisis*

241. A strategic document on the global risks at stake was prepared in the early phase of the crisis. In addition to the risk registers, the Division of Strategic Planning and Results and the Enterprise Risk Management Service issued an analysis of strategic implications, risks and opportunities that may emerge from the crisis to operations worldwide. The document was drafted to support the High Commissioner in his capacity as the risk owner of the strategic risk register. The objective of the document was not to be an operational tool but to help inform strategic planning and decision-making in the short-to-medium term by providing risk analysis that headquarters divisions, regional bureaux and country operations can contextualize and use to update their own risk registers, contributing to the proactive UNHCR response globally. The global analysis was prepared early in the emergency phase, in May 2022.

242. The strategic document on risks lacks focus and prioritization, however. The global risk analysis provides a list of 39 risks within the seven existing categories of operational risks, including nine opportunities and 68 corresponding mitigation measures. The high number of risks and mitigation measures provided in this tool may hamper readability and usefulness, and priorities may not be easily understood, especially since negative risks are not differentiated along a rating scale.

**Potential lessons from a real-time review of the crisis**

243. A real-time review undertaken by UNHCR on the response to the refugee crisis contains elements that may be a basis for improving risk management. The UNHCR policy on emergency preparedness and response<sup>56</sup> provides that regional bureaux and the Division of Emergency, Security and Supply undertake a real-time review of a UNHCR level 3 emergency response three months after the emergency declaration. A real-time review report was issued on the Ukraine level 3 declaration by the Regional Bureau for Europe and the Division of Emergency, Security and Supply, with the support of the Division of International Protection and the Evaluation Service. The review was implemented from 7 to 30 June 2022 and the report was released in August 2022. The real-time review intended to draw initial lessons and to recommend the rectification of certain weak points if necessary. It was explained to the audit team that the real-time review had been used to define the new emergency response policy published in February 2023. The real-time review could also be taken into consideration to improve risk management.

244. The real-time review pointed out a perceived lack of flexibility of the established processes and tools. The review highlighted a potential drawback of existing processes and tools related to staff and partnership deployment, which were sometimes assessed as being too complex or lengthy to respond promptly to an emergency context, possibly leading to reactivity and flexibility being constrained and hampered. Some systems and procedures designed to address risks may have slowed down the mobilization of staff to respond to the emergency. The real-time review mentioned that internal systems and procedures were geared more towards mitigating risk and addressing challenges found in protracted operations, rather than facilitating an expedited emergency response. Such a finding requires that the Enterprise Risk Management Service support work to define acceptable margins for

<sup>56</sup> UNHCR, "Policy on emergency preparedness and response 2023".

risk-taking, which may help to overcome cumbersome risk treatments in emergency contexts.

245. A key lesson is that the risk registers can be helpful only if operations are functioning. In emergency contexts, priority should be given to contingency plans and business continuity plans before activating reactive risk treatments or, to a greater degree, updating proactive treatments. A risk management tool needs operating conditions to be useful.

246. The real-time review also indicated margins for improving risk assessment and preparedness. Given that the crisis has been ongoing since 2015, the real-time review brought elements to reflect on both preparedness and risk appetite. Some statements of the real-time review have to be considered, such as: “Staff were reportedly fearful to take risks, often unaware of emergency procedures, and prioritized future audit findings rather than responding to immediate needs”; “Use heavier, traditional partnership mechanisms, possibly as a proactive risk treatment (and not seizing the trade-off to respond more quickly)”; “A surprising lack of clear guidance on emergency administrative procedures”; and “Processes and procedures have failed to keep pace with the aim of simplification procedures are actually now more numerous, slow and labor-intensive”. The Board encourages UNHCR to adopt a consistent action plan to follow up on the comments of the real-time review.

247. There is a lack of event data management that may help to draw lessons to improve risk management. Risk management at UNHCR is based on a well-defined policy that is clearly communicated to all staff. Formal requirements of this policy are well respected (existence of an annual review and increasing frequency of optional subannual reviews) and the quality of risk registers is improving (increasing relevance of the amendments suggested by the Regional Bureau during the quality review). Nevertheless, lessons learned from events are not clearly organized. Documenting lessons learned from the failures and successes of risk management in order to make further improvements would be a substantial step forward, as highlighted by OIOS in 2022. Registers of events would be useful not only to improve the risk register tool but also to spread a common risk culture.

## **5. Procurement**

248. UNHCR is engaged in important and increasing procurement activity to implement its protection mandate in an international environment where the number of forced displacements around the world is increasing every year. In 2022, in terms of direct procurement, \$960 million was undertaken by the field (country operations and regional bureaux) and \$472 million by headquarters. The balance between purchasing made at the field level and at headquarters has been slightly modified. Of the total spending, 67 per cent was made at the field level in 2022, compared with 72 per cent in 2019. The amount of purchasing in regional bureaux has increased but remains low.

249. The procurement processes of UNHCR require improvement in various areas, including updating rules, notably regarding the increased threshold for formal solicitation and the emergency contract awards (see paras. 250–274 below), strengthening leadership and expertise (see paras. 275–299 below), enhancing planning and monitoring (see paras. 300–316 below), reallocating procurement responsibilities (see paras. 317–341 below), better linkages with inventory management (see paras. 342–354 below), managing risks related to procurement (see paras. 355–371 below), ensuring compliance (see paras. 372–412 below) and reinforcing oversight of procurement by implementing partners (see paras. 413–418 below).

**(a) Updating rules**

250. UNHCR procurement is monitored in line with a set of rules that have recently been consolidated and updated. Nevertheless, some shortcomings still need to be addressed to improve effectiveness and efficiency. They concern notably:

(a) In normal situations, the significantly increased threshold for formal solicitation, raising the risk of the principles of best value for money and of fair competition not being abided by, as well as of fraud and corruption;

(b) In situations of emergency, the submission of contract awards to the regional committee on contracts for review.

*New procurement policy and rules*

251. The procurement framework has recently been revised, following recommendations by the internal auditor. In a report issued in 2019, OIOS had identified four main categories of recurrent issues: (a) gaps in procurement planning; (b) lack of compliance with established procurement procedures; (c) inadequate vendor management and contract administration; and (d) lack of proper review by the relevant committees on contracts. OIOS recommended that the ongoing revision of the policy and administrative instruction on procurement incorporate the minimum requirements for procurement and for context-specific procurement risks identified by each operation, as well as further guidance on procurement controls and a clarification of the role of the second line of defence in procurement management.

252. The framework, adopted in 2021, provides guidance on UNHCR procurement. In 2018, the Administration had issued an administrative instruction on the rules and procedures of UNHCR committees on contracts at headquarters and in the field (UNHCR/AI/2018/5), which established key controls on procurement processes. In 2021, following the internal audit, UNHCR issued a new policy (UNHCR/HCP/2021/01) and administrative instruction (UNHCR/AI/2021/05) on procurement. 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.

253. Very recent texts have gone a step further, notably in raising the thresholds above which a formal competition is required. The revised UNHCR financial rules (A/AC.96/503/Rev.12) with effect from 1 January 2023 integrate and embed applicable United Nations rules on procurement. Specific administrative instructions also exist, such as the administrative instruction on the rules and procedures of UNHCR committees on contracts at headquarters and in the field (UNHCR/AI/2018/5/Rev.2) and the administrative instruction on procurement by partners under partnership agreements (UNHCR/AI/2018/1), with a review date of 31 December 2022. More significantly, a new version of the administrative instruction on procurement (UNHCR/AI/2021/05/Rev.1), published in May 2022, has significantly raised the threshold above which an invitation to bid or a request for proposal can be made, from \$40,000 to \$250,000. As a result, purchases below \$250,000, for the most part, will be made through a simplified process by having only quotations obtained from several vendors.

254. The framework established in 2021, despite progress made, indicates several shortcomings.

*Shortcomings on oversight*

255. The 2021 instruction contains no substantial provisions about compliance and oversight. The only section dealing with this issue is section 16, entitled “Monitoring

and compliance”, in which it is stipulated that the Supply Management Service within the Division of Emergency, Security and Supply is responsible for monitoring compliance with the administrative instruction. More importantly, the chapter does not detail the specific responsibilities of the Supply Management Service, nor the organization to be put in place for the monitoring of compliance, nor the tools to be used for that purpose.

256. In the administrative instruction, regional bureaux are not mentioned as being involved in the oversight function. However, in November 2022, a document defining the roles, accountabilities and authorities of the regional bureaux was issued. This document clarifies their duties as the second line of defence in procurement, in addition to the responsibility of the regional committee on contracts. The administrative instruction should be revised to reflect the important oversight role of the regional bureaux in accordance with this new and key documentation.

*Questionable increase of the threshold for formal solicitation*

257. A significant increase of the threshold above which a formal invitation to tender is required has recently been decided. The increase of the threshold, mentioned in the May 2022 version of the administrative instruction, implies that, under \$250,000, which represents a significant amount in many countries, quotations obtained from at least three vendors are considered as the appropriate procedure for a purchase. This decision has been taken without an assessment of the issues raised under the previous thresholds. In particular, there is no evidence that, under the former rule applicable to normal situations, a formal solicitation method was affecting the supply chain and activities of country offices with appropriate procurement planning.

258. The new process being applied calls into question three important principles set out in the Financial Regulations and Rules of the United Nations and the UNHCR financial rules. As a matter of fact, this significantly higher threshold, in which formal solicitation has been replaced by a request for at least three quotations:

- (a) Does not guarantee the best value for money;
- (b) No longer guarantees fairness, integrity and transparency, and raises the risk of fraud and corruption;
- (c) No longer ensures effective international competition, in the absence of a formal tendering process.

259. Given that numerous exceptions (nine) to formal solicitation already exist in the Financial Regulations and Rules of the United Nations, these exceptions, combined with a threshold of \$250,000, significantly reduces the use of the bidding method to the background, although it should be the standard procedure. For example, the implementation of the new threshold in the UNHCR country office in Kenya for 2022 would reduce the number of frame agreements by 43 per cent (53 to 30) for Nairobi and by 73 per cent (22 to 6) for the Kakuma refugee camp.

260. Finally, as a comparison, the United Nations uses a threshold for formal solicitation (\$100,000) that is two and a half times lower than that of UNHCR. While acknowledging that the specificities of every United Nations body may lead to the implementation of different rules, the Board notes that the thresholds used by UNHCR are the highest.

*Key items missing*

261. While acknowledging that an administrative instruction must not deal with too many items, some important issues are not included in the document. Few details are given on planning, especially the links between the budget process and the

procurement plans locally, regionally and at headquarters. However, the link between procurement planning and the budget cannot be established without a purchasing plan. The current planning of only new contracts to be made or renewed, which is called a procurement plan, is insufficient. An accurate forecast of the value of each good and service to be purchased each month is required to be established and serves as a basis for budget proposals.

262. The administrative instruction also does not consider the standard qualification and training that each procurement staff member should have according to the level of their post. Even if some dedicated procurement training courses have been developed, such as the “certificate programme in supply chain management” or “procurement ethics” courses, they are not compulsory. An interesting benchmark is the decision of the Office of Supply Chain Management in the United Nations Secretariat in 2021 that all procurement practitioners should pass the level 4 diploma of the Chartered Institute of Purchasing and Supply.

*Consistency between different references*

263. The 2021 procurement texts should be considered in conjunction with relevant parts of chapter 8 of the UNHCR Manual, in accordance with paragraph 4.1.1 of the policy on procurement, while, at the same time, the administrative instruction states that it supersedes the procurement-related parts of chapter 8 of the UNHCR Manual.

264. The inconsistencies of chapter 8 of the UNHCR Manual have already been highlighted by the Board of Auditors. In its report for the year ended 31 December 2021, the Board recommended that UNHCR finalize and publish the updated chapter 8 of the UNHCR Manual, to ensure consistency with the UNHCR procurement rules and regulations (A/77/5/Add.6, chap. II, para. 375). In response, UNHCR indicated 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. Nevertheless, as of February 2023, the update of chapter 8 had yet to be completed.

265. Therefore, given that the administrative instruction states that it supersedes chapter 8, UNHCR considers that the current and future content of chapter 8 should be limited to “best practices”, which may or may not be abided by, depending on the situation. This approach is not fully consistent with the purpose of the UNHCR Manual “as the repository of all processes, procedures, guidance and organizational structures”.

266. Considering the shortcomings of the administrative instruction, it appears critical either to complete it by enhancing its scope and by providing more precise guidance on procedures to be followed, or to indicate clearly, for each element of procurement guidance included in the future chapter 8, which one is mandatory and which one refers only to good practices.

**267. The Board recommends that the Administration revise the 2021 procurement framework by (a) lowering the threshold for formal solicitation to ensure effective monitoring and oversight of procurement actions; and (b) addressing key loopholes, particularly in terms of planning, training and staff qualifications.**

268. UNHCR partially accepted the recommendation, as it considers that the threshold should be reviewed and not lowered. While UNHCR does not share the Board’s conclusions on the increased risks resulting from an increased threshold for formal solicitation, it thinks that it would be necessary to review the criteria for choosing the purchasing method. UNHCR also underlines that it has just introduced

a new supply operating model. This new framework aims to strengthen the procurement teams in the regional bureaux, giving them responsibility for complex local purchases, which in the past were carried out by country teams. International purchasing will also be handled by a strengthened global service. The framework is supported by a new tool (Cloud ERP), which UNHCR intends to implement in September 2023. According to UNHCR, the tool seeks to enable all purchase requests to be processed through a “buyer command centre”, within which requisitions should be able to be managed and assigned a purchasing mode according to predefined criteria.

269. The Board takes note of the reforms planned and is nevertheless of the view that the question of trying to adapt the procedure to the complexity of each purchase is complex, assuming that it could be possible to objectively define ex ante the degree of complexity of a given purchase. Using competitive bidding is the simplest and most widespread way to ensure that the principles of best value for money, fairness, integrity and transparency, as well as effective international competition, are respected. Formal solicitation should remain the standard and not the exception. The Board is also not aware of any other United Nations entity using such a high threshold.

*Rules applied in emergency situations*

270. UNHCR may choose to declare one of three predefined emergency levels, considering the expected scale, complexity and consequences of a humanitarian crisis compared with the existing capacity of the country operations and regional bureaux concerned. An emergency declaration triggers time-limited measures to mobilize additional capacities and resources. Exceptional measures are applicable at all emergency levels for the duration of the declaration period, with a possible extension. The main exemption measures, according to the “Policy on emergency preparedness and response, 2023”, which took effect on 1 February 2023, are:

(a) Increased request for quotations threshold: the request for quotations ceiling is automatically increased from \$250,000 to \$750,000 if the most senior supply officer in the country operation is at the P-4 level or above;

(b) Minimum floating periods for the formal method of solicitation processes may be shortened to respond to urgent needs;

(c) Increased local committee on contracts threshold amounts: the procurement approval authority of the local committee on contracts is \$750,000 (instead of \$250,000), if the most senior supply officer in the country operation is at the P-4 level or above.<sup>57</sup>

271. Exemptions appear necessary in emergency situations and their issuance in a specific chapter of the administrative instruction gives useful guidance in difficult periods.

272. However, exemptions present a risk with regard to compliance issues, efficiency and even fraud. It is acceptable to admit a certain level of risk as far as UNHCR has to fulfil its mission in difficult situations. This risk is partly mitigated by the committee on contracts mechanism, which reviews the procurement process before a contract is awarded. However, in emergency situations, as described above, the

<sup>57</sup> If the country operation’s most senior supply officer is below the P-4 level, to increase the local committee on contracts threshold, the operation can request approval for the increased threshold from the Headquarters Committee on Contracts, through the Head of the Supply Management Service in the Division of Emergency, Security and Supply. Such a request for an increase in the upper threshold amount of the local committee on contracts may take the form of “Template C5”. Until such approval is granted or a P-4-level supply officer is present, the local committee on contracts ceiling will remain \$250,000.

threshold is amended. The local committee on contracts extends its controls on contracts up to \$750,000 instead of the regional committee on contracts, which normally intervenes from \$250,000. In practice, the Board notes that the regional committee on contracts is much more efficient than the local committee on contracts in carrying out its oversight function for two main reasons: (a) procurement competences and experience are much greater in the regional committee on contracts than in local committees on contracts; and (b) the regional committee on contracts remains independent of country operations. For example, in Kenya, the Local Committee on Contracts rushed through 15 files worth \$3.6 million in December 2022 (66 per cent of the total submitted in 2022), including 11 files worth \$1.5 million on 22 December 2022. During that meeting, the Committee spent 11 minutes on each file, with an average value of \$252,177, without noting any shortcomings in the process. By contrast, the work of the Regional Committee on Contracts in East Africa, the Horn of Africa and the Great Lakes Region led to the identification of serious gaps in the country offices (15 in 2021 and 10 in 2022), such as the incorrect selection of the solicitation methodology, the shortening of the tendering period without proper justification, the splitting of contracts in order to avoid having to obtain approval from a committee on contracts, the miscalculation of a maximum ceiling amount, and a recommendation for the award of a contract that was not in line with the procurement rules and procedures.

273. The Board is of the view that, in emergencies, the threshold for the regional committee on contracts and the local committee on contracts should not be modified to ensure the correct checks and balances. Such a change poses a risk to the effectiveness of the second “line of defence” during an emergency, which is a risky period. As the second “line of defence”, the regional committee on contracts also plays a key role in preventing fraud.

274. Corrective actions to be taken are covered by the recommendation of the Board concerning the second “line of defence” (see para. 369 below). Before considering a potential restructuring of the committees on contracts in the medium term, UNHCR should consider aligning the threshold of regional and local committees in emergency situations to the one used in normal situations.

**(b) Strengthening leadership and expertise**

275. Managing procurement involves strategic leadership at the highest level, going beyond technical day-to-day considerations. UNHCR also needs to reinforce its expertise on procurement, to ensure that at each level of management – headquarters, regional and country – the needs in terms of functions related to procurement are precisely identified, and the proper initial and continuing training is in place.

276. The procurement function is reaching a next stage as UNHCR is developing a new strategy that revises its supply model. In the meantime, staff qualifications and training need to be clearly defined to ensure that the procurement processes, which are complex and risky, can be carried out successfully.

*Procurement function*

277. The procurement function is structured, within UNHCR, as a support function limited to a technical role. This situation appears to deviate from the evolution mentioned in the United Nations Procurement Practitioner’s Handbook, issued in February 2022 by the working group on professional development, formed by the Procurement Network of the High-level Committee on Management: Procurement is an internationally recognized profession. Within the United Nations system, it has evolved from being considered a simple “back-office” administrative purchasing function to increasingly being recognized as a professional, “value-adding” function,

supporting the achievement of key goals and results of its member organizations. In addition, procurement has been elevated to a strategic function within more and more organizations.

278. Managing procurement should involve more strategic leadership at the highest level, going beyond technical day-to-day considerations. Considering the amount of resources dedicated to procurement either directly or through implementing partners, the procurement function at UNHCR would benefit from a more direct link with top management. To date, however, the Head of the Supply Management Service in UNHCR reports to the Director of the Division of Emergency, Security and Supply, who herself reports to the Assistant High Commissioner for Operations, who is a member of the senior executive team of the High Commissioner.

279. Procurement is only one component of the supply chain, which includes integrated end-to-end processes for planning and managing all activities related to the sourcing and procurement of goods and services, and other logistics activities, such as the delivery, storage and disposal of goods. The performance of procurement depends especially on the upstream planning phase in the sourcing of goods and services. A strategic approach is required to ensure that goods and services are delivered in a timely and cost-effective manner to people forced to flee. UNHCR intends to develop such a strategy.

#### *Procurement staff*

280. In UNHCR, the size of the supply service, as at 31 December 2022, totalled 729 employees. The distribution of grades of positions among staff members in charge of supply confirms that the supply function remains at a technical level.

281. A limited number of international staff (163 out of 729) are involved in this activity. The Supply Management Service is headed by a D-1 position; there are only 11 P-5 staff members and 38 P-4 staff. Headquarters includes 23 international staff and 53 General Service staff.

282. More generally, with 140 international staff appointed in local offices and regional bureaux, UNHCR cannot appoint even one international staff to its 156 country operations, taking into account that some operations have several international staff involved in supply activities (for instance, Kenya, Jordan, Lebanon, Uganda, Yemen, the Syrian Arab Republic, Ukraine, South Sudan and the Central African Republic). The 41 National Professional Officers (local staff) dedicated to supply tasks within operations may provide useful expertise, as do many General Service staff, but the number of international staff appointed in country offices shows that the lack of international staff does not only concern the smallest offices.

283. According to figures provided in a report on the supply chain organization, issued in November 2022 by a consultancy firm, out of 735 staff (headcount at the end of 2022), 245 were involved in procurement, 95 in planning, 49 in compliance, 56 in warehousing and 155 in tasks not precisely mentioned. Of the 86 staff of the Supply Management Service located in Budapest, 22 were appointed in the Procurement Section.

284. This distribution corresponds with the division in sections or units of the Supply Management Service at headquarters but not necessarily with the division of tasks in the country operations. In the field, the distribution of staff involved in procurement and in other supply tasks or even in other administrative tasks (12.5 per cent spent by the workforce on non-supply activities according to the consultancy firm report) is difficult to determine, as some staff members may contribute to several activities. However, assignment with multifunctional tasks is common and good practice. All 735 staff described as being part of the supply chain organization are expected to have

the capacity to serve as “supply officers” as they move fluidly within roles and positions, whether they focus on procurement, logistics or warehousing.

285. The procurement processes are regulated, time-consuming and risky in terms of fraud, and therefore require specialized competencies and professional skills. However, as noted by the consultancy firm, UNHCR mainly recruits generalists or, at best, persons with expertise on supply in general, as UNHCR operates in countries where required skills may not be available. These shortcomings should be mitigated by strong internal or external training.

286. UNHCR regularly undertakes training sessions on procurement. In 2021 and 2022, a large number of staff were trained on the changes involved in the 2021 administrative instruction, either in sessions open to all operations (for instance, a webinar for 400 staff in June 2022) or through seminars in several regions. The content of the training may also be more specific, for example seminars held in 2022 on the issuance of purchase orders. These sessions represent an effort to improve the level of knowledge and competencies.

287. However, there is no reflection on the level of skills required for procurement and the related training needed. At UNHCR headquarters, 10 of the 30 staff of the Procurement Unit have no Chartered Institute of Purchasing and Supply diploma, which represents the international reference qualification in procurement, even though headquarters is responsible for monitoring compliance with the administrative instruction (see section 16 of the 2021 administrative instruction), hence implying a high level of expertise. In the Kenya country operation, 4 of 14 staff members have not completed even internal training.

288. A high level of expertise based on qualifications and experience is also critical at the regional bureaux and headquarters levels, as staff members perform the regional committee on contracts and the Headquarters Committee on Contracts functions.

289. UNHCR is aware that having competent staff in procurement is key. As a result, the risk register of the Division of Emergency, Security and Supply assesses among the strongest risks the lack of qualified supply chain staff. It is therefore essential that the associated treatment plan be implemented.

290. Regarding the organization of the supply chain, including the procurement tasks, the Board concurs with two important findings of the report of the consultancy firm: (a) the too low a positioning of the supply function in the organizational chart in contrast with the financial amounts at stake; and (b) the lack of expertise of some staff.

291. UNHCR has begun to develop a reorganization of its supply model. According to a tentative paper prepared by the Supply Management Service at headquarters, the tasks performed by the country operations would be alleviated and limited to simple processes. The more complex ones would be undertaken by the regional bureaux, which also would be in charge of regional planning. At headquarters, the strategic issues would be treated within a dedicated unit, while the transactional aspects would be carried out in another unit. At the time of the audit, the new supply operating model had just been approved.

292. In this context, the Board draws attention to several points, set out in the paragraphs below.

293. After the recent increase of thresholds (see paras. 250–274 above), tasks performed by country operations are considered simple, owing to the method of purchasing, while they involve significant amounts, which makes it necessary to maintain sufficient expertise at the country level and to implement robust oversight. In sum, whatever procedures are used, the qualification of the staff is a prerequisite, which makes it necessary to strengthen the expertise of staff in country operations.

294. The Board does not fully concur with this approach. Raising the threshold for using a formal solicitation does not appear appropriate and should not lead to evasion of the question of procurement skills at the field level. Either staff should be trained, or the expertise at the regional bureau level should be used.

295. At the regional level, the raising of the thresholds has the same consequences.

296. At the headquarters level, the ambition to build a strategic approach is relevant, provided the unit in charge remains closely in touch with operational teams in order to be properly informed of the issues encountered. Moreover, headquarters should enhance its monitoring role, as decentralization should not lead to a lack of knowledge at the corporate level and to shortcomings in monitoring on critical issues.

**297. The Board recommends that UNHCR enhance strategic leadership on procurement at the highest level and allocate as efficiently and effectively as possible the procurement activities to be carried out at the country operation, regional bureau and headquarters levels.**

298. To that end, the Board considers that UNHCR should, in particular: (a) define, for each level of the organization, criteria for allocating the procurement responsibility for each category of goods and services, based on the procurement plans of the country offices and with a view to improving standardization and economies of scale through common contracts at the regional level (see subsection (d) below on reallocating procurement responsibilities); and (b) identify the skills and training required at each level.

299. UNHCR accepted the recommendation. UNHCR notes that it has already undertaken a revision of its supply operating model, which aims to address issues mentioned herein.

**(c) Enhancing planning and monitoring**

300. The UNHCR practice of procurement planning appears to suffer on the one hand from weak monitoring of the existing tools, notably the country-level “consolidated procurement plans”, and on the other hand from a lack of more comprehensive purchase planning, allowing for anticipation of the needs of each entity and the development of tools to monitor those entities and better align with budgetary processes.

301. The planning of procurement actions is considered a prerequisite to reach an efficient and effective process. This is notably stated in section 5.1, “Objective 1: UNHCR procurement actions, contracts and vendors are managed effectively and efficiently”, of the policy on procurement (UNHCR/HCP/2021/01). The administrative instruction on procurement made it mandatory for all country offices, multi-country offices, regional bureaux, divisions and stand-alone entities at headquarters “to establish and maintain an updated consolidated procurement plan, using the standard template, available via annex 10” (UNHCR/AI/2021/05/Rev.1). The Board noted that consolidated procurement plans were not properly implemented and no purchasing plans were in place. Without these tools, the efficiency of procurement is questionable.

*Consolidated procurement plans*

302. The Board checked the implementation of the instruction on the consolidated procurement plan in six countries and noted that each country had a procurement plan, but that it was not entirely compliant with the instruction.

303. According to the administrative instruction, the consolidated procurement plan, whose drafting is mandatory, is supposed to focus “on the needs for the upcoming 18

months”. Most of the country operation procurement plans reviewed were annual, such as in Malaysia.

304. In one country office, when comparing the procurement plan forecasts with the orders placed in the 2022 financial year, it was found that the majority of the orders were not anticipated. For example, in the Nairobi country office, of 10 goods or services tested for a value of \$2.3 million, 5 were unplanned. In the Kakuma sub-office, on the basis of sub-office’s most detailed plan, of the 12 tests conducted, representing a value of \$4.8 million, 5 were not planned.

305. The Regional Bureau for East and Horn of Africa and the Great Lakes, based in Nairobi, was supposed to receive the procurement plans from each of the 11 country offices in its area of responsibility in order to develop an overall procurement plan. Of the 11 entities, 4 did not provide it and 1 only sent the procurement plan of its two sub-offices, but not that of the country office. The Regional Bureau also noted that some procurement plans were incomplete or not consolidated at the country office level. Except for one country office, none of the countries updated their procurement plans in 2022, even though the administrative instruction requests “a review and consequent update by the end of June of each year”.

306. 2022 was the first year of implementation of the new consolidated procurement plan. It is likely that many country operations were not ready to design such plans or did not understand well the instruction on this matter. For that reason, the process should have been monitored more closely by headquarters with the help of the regional bureaux. As of February 2023, the Supply Management Service did not know how many consolidated procurement plans had been established by country operations by the end of 2022, considering that it was not mandatory (not mentioned in the administrative instruction) for the Supply Management Service at headquarters to be informed of the level of implementation of the consolidated procurement plan by the field.

307. The consolidated procurement plan methodology is aimed at two different goals: (a) expression of the needs with the description of the expected contract, of the goods and services to be purchased and of their amounts; (b) indication of the desirable time schedule. For the new contracts, for example, as far as this second aspect is concerned, the template provided in annex 10 to the administrative instruction includes two columns in this respect: “When the contract needs to be in place” and “When the procurement action shall be initiated”.

308. In two country offices, the procurement plan was well designed and filled, but no mention of the schedule appeared. This shows a major weakness in the document itself. It is not developed enough to constitute an operational supply or procurement plan allowing the offices to precisely schedule all the steps of a procurement.

309. The schedule is very important. The audit visits to the field showed that poor planning leads to the following shortcomings:

(a) Supply units overstretched during some periods of the year;

(b) Meetings of committees on contracts held late in the process (for example, in one country office, for the “law services contract”, the meeting took place on 28 December 2020 in order to approve a contract whose effective period started four days later, on 1 January 2021 (the contract was only signed on 11 January 2021); in the meeting held on 27 September 2021, two contracts were discussed and approved: for the renovation of premises starting on 1 October 2021, and with a travel agency also starting on 1 October 2021);

(c) Contracts signed after their date of entry into effect (for example, the law services contract signed late in one country office in 2021, as mentioned above, and,

in the Regional Bureau for East and Horn of Africa and the Great Lakes, a purchase order issued in 2022 two months before the signature of the frame agreement for telemarketing services);

(d) Massive year-end purchases.

310. In a report on the future operating model for the UNHCR supply function, it is indicated that almost half of purchases are made at the end of the year.<sup>58</sup>

311. A budget cycle that makes more funds available at year-end is often cited as the reason for this, although this is not documented. However, where orders are not placed under contract, there is a risk that suppliers will increase their prices at the end of the year or that shortages will occur owing to high demand.

312. In 2020, there were 2,505 purchase order lines during the fourth quarter, and only 921 in 2022, which shows an improvement. The Board noted that the Supply Management Service at headquarters has reduced its purchasing during the fourth quarter of the year.

313. In any case, proper planning is the appropriate solution to distribute purchases evenly throughout the year and avoid year-end rush purchases. This anticipation effort is key to improving efficiency.

314. The Board is of the view that the implementation of the consolidated procurement plans as they currently stand is necessary but insufficient. The current anticipation of new contracts or of the renewal of contracts is only one element of proper procurement planning and should be included in a more comprehensive and accurate forecast of the needs which assesses the volume and value of each of the goods and services to be purchased. Moreover, in order to monitor the procurement activities and align them with the budget processes, embedded tools in the new Cloud ERP system should be developed.

**315. The Board recommends that UNHCR define and implement a prioritized demand and supply plan for each entity, and define tools and additional mechanisms to monitor procurement throughout the year.**

316. UNHCR accepted the recommendation and noted that the prioritization of procurement has multiple drivers, including some outside its control.

**(d) Reallocating procurement responsibilities**

317. UNHCR still needs to fine-tune the definition of the level – global, regional or country – at which procurement appears to be the most relevant and efficient.

318. All UNHCR entities (country operation, regional bureau and headquarters) are involved in procurement. The distribution of procurement to be done at each of the three levels could be organized more efficiently. Efforts to keep the proper quantity of core relief items in the seven stockpiles, in a period of an increased number of displaced people, are to be noted.

319. In 2022, headquarters purchased 33 per cent of UNHCR goods and services, and 67 per cent were purchased by the field (country operations and regional bureaux). Such a balance raises the question of the relevance of the procurement location, in terms of costs, efficiency and environmental protection.

320. According to the role, accountability and authority attributed to the Division of Emergency, Security and Supply in November 2022, the head of the division is accountable for the supply chain management and the procurement of goods and

<sup>58</sup> UNHCR, *One Supply: A Perspective on the Future Operating Model for UNHCR's Supply Function* (Geneva, 2022).

services to be undertaken in accordance with United Nations procurement principles, ensuring an adequate balance between cost-effectiveness, timely delivery, speed, appropriate quality and operational needs. Chapter 2 of the UNHCR Manual, which is dedicated to the organizational structure and responsibilities, was last updated on 1 July 2018 and does not consider the decentralization and regionalization processes. UNHCR makes a distinction between items that must be procured at the global level and those that may be procured locally.

*Procurement at the global level*

321. Some items are procured at the global level, namely essential medicines and medical supplies, information and communications technology, vehicles and core relief items. As an example, the core relief items are non-food items that address the basic needs of displaced populations, including tents, plastic sheets, blankets, jerrycans, kitchen sets, mosquito nets, sleeping mats, buckets and solar lanterns, as defined in the UNHCR core relief items catalogue.

322. For some items, procurement is the exclusive responsibility of headquarters, and local UNHCR representation offices may only place requisitions that are used by headquarters to raise purchase orders. According to the standard operating procedure on the placement of purchase orders for essential medicines and medical supplies by field operations, local procurement is not allowed unless duly authorized in writing by headquarters.

323. The Board acknowledges the relevance of global purchasing for certain items, such as medicines or core relief items.

324. However, the segregation between procurement at the global level and at the local level may be confusing. Regarding the core relief items for emergencies, according to the operational guidelines on non-food item management (UNHCR/OG/2021/04/Rev.01), they are managed centrally through the global stock management stockpiles (see below) and/or through a local frame agreement at the country level. Compliance with the operational guidelines is expected but is not mandatory. Even if core relief items are managed at the global level, a local frame agreement at the country level is possible, which does not facilitate sharing among country operations, as they may wish to keep their stocks, as a precautionary principle, or since the transport organization and costs from one country office to another raise additional issues.

325. Emergencies are also partly managed at the global level. Considering the UNHCR mandate, the framework for emergency procurement is tied to an overarching policy on emergency preparedness and response. UNHCR ensures the response to emergency situations through enhanced means at the field level (the interim appointment of staff members, for instance) but also by stocking, under the responsibility of the Supply Management Service at headquarters, core relief items in global stockpiles (global stock management) in several locations.

326. The current global stock management network is constituted of seven stockpiles located in Accra, Amman, Copenhagen, Douala (Cameroon), Dubai (United Arab Emirates), Nairobi and Panama City. Global stock management is a continuous process, with replenishment of the stockpiles based on reimbursements from receiving country operations.

327. Until 2022, the current minimum preparedness was to 600,000 persons of concern (the actual stockpile of core relief items, including items in transit, covering 830,000 persons of concern and valued at \$47.7 million in 2021, was approved through an internal memorandum in May 2018). UNHCR raised the minimum preparedness in March 2022 to 1 million persons of concern (which implies that

stockpiles of core relief items, including items on hand and in transit, are to be available to 1.5 million people). This increase of the ceiling for global stock management was decided after a risk of stocks running out was identified for some items (for instance, family tents) in a context of unprecedented levels of displacement. The increase was permitted through one-off support of \$16.5 million for 2022.

328. UNHCR conducted, through an external consultant, a comprehensive review of global stock management. The report was issued in February 2022. Concerning the locations, the review concluded that warehouses had been positioned on the basis of emergencies occurring in a five-year time frame, from 2017 to 2021. Only the Copenhagen site did not experience much rotation and was far away from emergencies during that period of time (Copenhagen represented less than 4 per cent of orders shipped to emergencies but had the advantage of being free from charges).

329. The emergency situations that occurred in 2022 (UNHCR managed 52 active emergencies in 32 different countries in 2022, which represents an unprecedented number of emergencies) confirmed the need for global management of core relief items and the need to consistently optimize the stockpiles network.

330. The replenishment and distribution of core relief items is driven by operations' purchase requisitions and preconfigured target stock ceilings. The set levels of core relief items are maintained taking into account this pull-and-push approach. The Board noted the efforts of the Supply Management Service to mitigate the risk of running out of stock and notes that, in the global stock management review, the stock quantities set as targets are mostly higher than those delivered to the operations during the 2017–2021 period, except in the Douala and Nairobi locations.

331. In its global strategic priorities for the 2020–2021 biennium, UNHCR committed to delivering relief items to beneficiaries within 72 hours. However, it can be noted, according to the external survey mentioned above, that for all items carried by air transportation, this requirement was not met in 2021. In any case, this issue is not directly linked to procurement processes, considering that no significant shortages of stocked core relief items have affected emergency operations and that all steps on the supply chain may involve delays. The “72-hours” goal is not set as an objective of the “UNHCR Strategic directions 2022–2026”, in which it is stated that “we will respond rapidly and stay the course to ensure that people are safe from harm, their fundamental rights are respected, and that they can meet their needs”.

332. The methodology used to identify the quantity of core relief items to be replenished takes into account each core relief item, the global stock management network, the stock on hand at the moment of the planning exercise, the pipeline, the purchase requisition already turned into purchase orders, the demand for core relief items from operations, and the target stock level to be maintained. With respect to lead times for replenishment, the model considers the timing agreed with the freight forwarders.

333. The Board is of the view that the ability to monitor the status of the core relief item in each global stock management network location is key to allowing an effective management of stocks. As the organization is moving to the new Cloud ERP system, key performance indicators, such as rotation of items, days of stock per core relief item or location, and monthly or weekly level of stock per core relief item or location, should be data provided automatically by the new system to facilitate the replenishment process and timely procurement planning and to optimize stocks of core relief items.

*Local procurement*

334. Purchases are largely made locally (67 per cent in 2022). UNHCR, like other United Nations entities, aims at fostering the development of local markets, and when procurement requirements can be satisfactorily met within a local context, local and regional competition can be undertaken.

335. When determining the type of sourcing, the local procurement officer needs to decide when the required products or services should be purchased locally, regionally or internationally in order to meet the end user's needs in a timely and cost-efficient manner. Goods may also be borrowed from a sister organization or from a pre-positioned emergency stockpile when possible. Furthermore, a decision should be made on geographic sourcing and whether international competition is to be used, or whether to limit competition to local or regional suppliers.

336. Issues could appear when it comes to the implementation of these guidelines, as shown by the example below.

337. The Board noted that, during its meeting held on 1 December 2022, the Headquarters Committee on Contracts examined a request from one country operation to procure locally jerrycans through a local frame agreement; these items are part of the core relief items managed through a global frame agreement but reserved for emergencies. In 2022, the country operations distributed jerrycans (all types) to persons of concern for a total value of \$300,000. The gross value of the UNHCR jerrycans inventory at year-end was around \$3.1 million.

338. The country operation requested that a frame agreement be awarded to one firm for purchasing 10-litre and 20-litre rigid jerrycans with the maximum ceiling amount of \$13,376,000 while in 2022 the firm distributed jerrycans for a total value of only \$300,000 and while semi-collapsible jerrycans were available in UNHCR stocks.

339. As noted in the minutes of the Headquarters Committee on Contracts meeting, the significant price difference between 10-litre semi-collapsible jerrycans and 10-litre rigid jerrycans represented a gap of \$3.7 million compared with the least expensive option. Furthermore, the negative environmental impact of the selection of the rigid jerrycans is 652 metric tons more plastic produced. However, there was no criterion related to the environment set in the tender. The decision has been taken to award the contract, with the approval of the Headquarters Committee on Contracts, which has not found any compliance issue.

340. Some lessons can be drawn from this example. It is surprising that in emergencies, relief items such as jerrycans are generic goods purchased centrally for the whole of UNHCR by the Division of Emergency, Security and Supply, whereas this is not the case when country offices are in non-emergency situations. Each country office can purchase its relief items independently, although this category could be an area for pooled procurement at the regional bureau level. It is not the only one. The list of major procurement items in a region provides further avenues for establishing regional contracts in the following sectors: fuel, construction, cash-based interventions, security, medical supplies and services, and air transport.

341. The Board is of the view that the role of the regional bureaux could be enhanced by identifying common contracts to be established at their level for the country offices. Such practice would lead to standardization and economies of scale. Corrective actions to be taken are covered by the recommendation of the Board on the role of the different levels of the organization in the field of procurement (see para. 297 above).

(e) **Better linkages with inventory management**

342. UNHCR has difficulties in making the best use of its stocks and avoiding unnecessary purchases or waste. More systemic and automated checks need to be set up to ensure effective linkages between procurement and inventory management.

343. The Board identified cases of purchases made by UNHCR representatives for items that were already in stock in significant quantities.

344. The UNHCR risk register issued in September 2022 mentions as a very high risk “inadequate supply planning and budgeting process on inventories”. An insufficient knowledge of the state of the inventories and non-updated inventories may lead to inefficient purchasing.

345. The Board examined information related to UNHCR stock and inventory management, i.e. the stock as at 31 December 2021 and 31 December 2022, distribution in 2022 and purchases in 2022, including the assets in transit and the late transactions.

346. In South Sudan, UNHCR had 32,508 items of 10-litre semi-collapsible jerrycans on hand as at 31 December 2021, 17,341 items were distributed in 2022, 46,200 items were purchased in 2022, and the country office had 79,605 jerrycans with these features in stock as at 31 December 2022.

347. Some offices decided to buy items whose utility is not proved by current needs or any feedback. They may be considered by UNHCR staff as precautionary stocks.

348. The frequency of emergency situations could encourage such a practice, as a result of which most of the items are eventually distributed. The Board also acknowledges that some items result from in-kind donations, which UNHCR cannot refuse. However, stockpiles have been established at the global level to secure responses to emergencies and their stocks, permanently renewed, have increased. Moreover, some items may quickly become outdated. In any case, stocking results in costs for UNHCR related to infrastructure in terms of warehouses and to staff dedicated to stock management.

349. In such cases, a requisition was approved after several steps involving different units, but this approval depends on the delegation of authority granted to the requester and the availability of funds. There is no mechanism to prevent a requesting officer from launching a procurement process for items that are available in local warehouses or in global stocks.

350. Availability of budget should not lead to unjustified purchases and impede effective and efficient management. The document entitled “Roles, accountability and authorities”, issued in November 2022, emphasizes one of the roles of the regional bureaux, namely to “monitor the implementation by countries of cost efficiency measures”.

351. To mitigate this risk, the Board is of the view that UNHCR should take advantage of the shift to the new Cloud ERP system to embed an automatic alert mechanism, linking purchase requests to the current inventory.

**352. The Board recommends that UNHCR develop a more systemic approach in the way that procurement and inventory management are linked.**

353. The Board considers that this approach should include the introduction in Cloud ERP of a warning signal to avoid purchasing goods for which significant stocks already exist.

354. UNHCR accepted the recommendation, noting that the new enterprise resource planning system is configured to enable the evaluation of alternative sourcing options

by a category manager or a buyer, including sourcing from existing inventory. Additional checks and alerts are also included as measures to optimize the inventory on hand.

**(f) Managing risks related to procurement**

*Role of regional bureaux*

355. UNHCR has recently clarified the oversight function of its regional bureaux. A decisive step will now be to implement this new framework and effectively empower the regional bureaux as a second “line of defence” in the management of risks related to procurement. They should become fully accountable for their reporting on the quality of procurement planning and management at the country office level and take all relevant measures to help mitigate the critical risks identified. Meanwhile, the country offices also need to strengthen their “first line of defence” internal controls on risks, especially on procurement that is not covered by their committees on contracts.

356. The Supply Management Service has identified medium, high and very high risks related to procurement activities. As of mid-September 2022, the risk register at the corporate level identified, 15 risks within the scope of the Supply Management Service, set out in the paragraphs below.

357. Four are ranked as “positive”, which means, if they occur, that they may provide opportunities. They are “Visibility and control of goods in the delivery pipeline and in transit between business units in the enterprise resource planning system”; “The new enterprise resource planning system, Cloud ERP, enhances monitoring and oversight”; “Effective design and management in the supply chain”; and “New UNHCR strategy for greening the operations”.

358. Six are ranked as medium risk. They are “Procurement fraud and corruption”; “Late updating of the enterprise resource planning and other system data”; “Supply function requirements not addressed adequately in the regionalization process”; “Weak vendor data management”; “Lack of integrated data and robust process to control, analyse and report key supply information and performance”; and “Current process to track and control medical items, spare parts and fuel is inadequate to meet requirements for supply end-to-end activities”.

359. Five are rated as high or very high risks. They are “Lack of qualified supply chain staff”; “Inadequate criteria/process for the selection of partners endorsed by UNHCR supply functions”; “Inadequate supply planning and budgeting process on inventories” (very high risk); “Disruptions to supply chain threatening operational response”; and “Lack of visibility, tracking and integration of the last mile of the inventories in the enterprise resource planning system”.

360. The risks identified as high or very high seem consistent with some of the Board’s findings.

361. The risk register needs to be completed through efficient measures to mitigate the most critical risks, and through a clear definition of the role each of the “lines of defence” can play. The Board notes that the committees on contracts and the vendor review committees, which are two strong internal control mechanisms, are not considered as a mitigation measure to reduce some risks. It is stated in the high-level internal control framework (UNHCR/OG/2015/5) that: “Internal control is often deemed to be most effective when the ‘three lines of defense’ are well defined. These consist of (1) front-line employees, (2) risk and compliance functions and (3) audit, and they must work in coordination with each other.” Monitoring should also be implemented through the three lines of defence.

362. At the levels of the country operations and regional bureaux, the distribution of responsibilities is unclear, especially for what concerns the first line of defence. The heads of offices could be considered as playing this role vis-à-vis their procurement officers. According to the document entitled “Roles, accountability and authorities”, issued in November 2022, the head of the country operation “exercises operational oversight”. However, the representatives are, at the same time, responsible for purchasing requests and for procurement. For some decisions undertaken at the local level, there is no second line of defence that could act against poor management. It is stated in the guidance from 2015 (UNHCR/OG/2015/5) that a second line of defence involves the following: “Senior management and their direct reports (i.e. headquarters divisions, regional bureaux at headquarters, and regional offices) act as a second layer of internal control by ensuring the proper design, implementation, proper functioning, maintenance and documentation of existing control measures, and by overseeing various aspects of the work at the operational level”. That document has not been updated.

363. The role of the regional bureaux has recently been clarified. The document entitled “Roles, accountability and authorities”, issued in November 2022, has clearly identified the respective role each “line of defence” should play in the system. The regional bureaux are now clearly identified as responsible for reviewing and overseeing the country offices in terms of planning, resource allocation and internal control, among other things, and are accountable for ensuring that “good quality annual consolidated procurement plans are developed in all countries”.

364. The regional bureau appears to be the appropriate level to oversee the country operations as a second line of defence. The Board acknowledges the benefit of clarifying the role and accountability of regional bureaux. The procurement rules (UNHCR/AI/2021/05/Rev.1) should also be revised accordingly, and the functions of the regional bureau as the second “line of defence” should be implemented effectively.

#### *Role of the committees on contracts*

365. Committees on contracts have been established at all levels: local committees on contracts at the country office level, and sometimes at the sub-office level, regional committees on contracts at the regional bureau level, and the Headquarters Committee on Contracts, depending on the thresholds.

366. The main weakness of the organization lies with the local committee on contracts chaired by a representative who is not in a position to express an independent opinion. It is usually in the interest of the country office to award a contract. To mitigate this risk, the choice of the threshold between the local committee on contracts and regional committee on contracts is critical (see paras. 250–274 above). At the headquarters level, the Controller is designated to act as Chairperson; the Controller usually delegates this function to specific staff members.

367. According to the policy on procurement, committees on contracts are among the procurement review authorities. They are in charge of reviewing whether submissions are in accordance with UNHCR procurement rules.

368. Therefore, committees on contracts are not expected to provide advice on the relevance, timing or cost of the purchases. The Board is of the view that controls beyond compliance should be implemented in the procurement process. Efficiency and effectiveness are two important areas that should also be monitored.

**369. The Board recommends that UNHCR strengthen the role of the second “line of defence” in key internal controls on procurement processes, including at the regional level.**

370. The Board considers that the strengthening of the role of the second “line of defence” should notably involve:

(a) Annual reporting of the regional bureaux to headquarters on the quality of procurement planning at the country level;

(b) Consideration of the alignment of the threshold between regional and local committees in emergency situations and the one used in normal situations in the medium term, with potential restructuring of the committee on contracts;

(c) Better management of risks that are not covered by the committees on contracts at the country level, including risks related to planning weaknesses or fraud and corruption;

(d) Identification of corrective actions to ensure that controls on the “procure to pay” process are more effective.

371. UNHCR accepted the recommendation.

**(g) Ensuring compliance**

372. A number of weaknesses concerning the compliance of UNHCR procurement practices with applicable rules have been identified, related to the absence of purchase order management, inadequate documentation to support payments, and contract award processes departing from the principles of fairness, transparency, best value for money and the interests of the organization, as well as incomplete information being provided to the members of committees on contracts.

373. A review of samples of purchase orders revealed several breaches of the applicable rules. This lack of compliance concerns areas such as payment of travel expenses without purchase orders, mismanagement of payments and shortcomings in the application of several principles, i.e. fairness, transparency, best value for money, interests of the organization and effective competition, as well as incomplete information being provided to the committees on contracts.

*Absence of purchase order management*

374. Purchase order management is defined in section 13.5 of the 2021 administrative instruction on procurement, as follows: “Any request to a vendor to fulfil a specific requirement following a contract award shall be made in the form of a written purchase order recorded in MSRP, except where it may be processed as non-purchase order voucher”. It is also stated in section 13.5. that payments may be processed through non-purchase-order vouchers only if the accumulated value of purchases from that vendor recorded in the local business unit does not exceed \$4,000 in a calendar quarter. If it exceeds that threshold, a financial obligation must be recorded in MSRP in the form of a requisition with a subsequent purchase order. The issuance of purchase orders is also required for the implementation of frame agreements, regardless of the value and nature of the purchase concerned.

*Payment of travel expenses without a purchase order*

375. Travel expenses are paid without a purchase order being issued when they exceed \$4,000. UNHCR explained that payments of ticket expenses to travel agencies were managed through a different mechanism than for standard purchase order-type procurement. For any travel involving a ticket cost, a travel authorization must be created and approved in MSRP. This action allows for funds to be reserved for the ticket expense and the related expense to be subsequently charged to the appropriate cost centre. Upon receipt, the travel agent’s invoice is matched against the travel authorization.

376. The Board is of the view that section 13.5 of the administrative instruction should be amended to include this mechanism.

*Monitoring and follow-up of payments without a purchase order*

377. In one country office, the Board noted that travel expenses were not thoroughly monitored, which led to overspending. In the meeting of the local committee on contracts held on 27 September 2021, an expenses ceiling of 575,793.86 Malaysian ringgit (about \$140,000) was approved for the contract with the country office's travel agency for the period from 1 October 2021 to 30 September 2022. However, during that period, the travel expenses were significantly higher than expected owing to fewer restrictions related to the COVID-19 pandemic. Those expenses were not automatically monitored by the system as they were paid without a purchase order and were not thoroughly followed by the supply unit. They have exceeded the ceiling. A meeting of the Local Committee on Contracts was held on 25 October 2022. Upon the unanimous recommendation of the members, the Chair approved an ex post facto notification for unauthorized expenditures for travel services amounting to 460,172 Malaysian ringgit (equivalent to roughly \$100,000), bringing the total to 1,035,766 Malaysian ringgit (equivalent to around \$220,000). The ceiling was almost doubled ex post facto; the final actual expenses amounted to a level close to twice the approved ceiling of expenses for this contract.

378. The lesson that should be learned from this case is that the risk relating to expenditures without purchase orders exists and should be addressed. The country office stated that it had taken corrective action. Since October 2022, new tools should have been developed to improve the monitoring of these expenses. Headquarters stated that selection and contract awards for travel agents were based on standard procurement rules, which included the determination of a maximum ceiling amount. The obligation to monitor expenses versus maximum contract amount applied to travel agents, as for other categories of commercial supplier. For that reason, no specific instruction had been issued.

379. The Board is of the view, however, that this general rule is not sufficient to guarantee that travel expenses are efficiently monitored in all country operations. This risk needs to be addressed in order to consistently ensure that travel expenses incurred through external agents do not exceed the applicable maximum ceiling amount as approved by the respective committee on contracts for the procurement action, in accordance with applicable procurement rules. This clarification should include an amendment of section 13.5 of the 2021 administrative instruction to include travel expenses.

*Inadequate documentation to support payments*

380. The review of payments in the two country offices showed shortcomings such as payments without appropriate supporting documents, temporary services provided by personnel from an external entity without a valid memorandum of understanding, prices on the invoices not clearly reconciled with the purchase order or the contract on which the purchase order was based, verification of the services rendered sometimes being late or not being documented, the purchase order being issued after the services had been performed and the purchase order being issued before the signature of the frame agreement.

381. Such recurrent deficiencies need to be addressed through appropriate internal control. When the internal control at country level was assessed in 2022 through the self-assessment questionnaire mechanism, the monitoring of the process was rated satisfactory in one country office and strong in another: "Receipts are entered into MSRP according to the service delivered or the goods received. There are two levels

of checks performed. The requesting unit performs the first check, confirms the receipt then issues a payment processing request to the supply function. The supply function performs the second check to ensure that the creation of the receipts in MSRP reflects the quantities of goods or services received and the correct amount”.

382. On the contrary, the Board is of the view that control on this process remains weak. The payment process presents risks in terms of fraud or undue expenditure and needs to be tightly controlled. Corrective actions to be taken are covered by the recommendation of the Board concerning the second “line of defence” (see para. 369 above).

383. Contract award processes represent a departure from the principles of fairness, transparency, best value for money and interests of the organization.

384. At the headquarters level, 3 of the 10 tendering processes with the highest maximum ceiling amount in 2021 were notably reviewed:

(a) An invitation to bid for the provision of medical items, which has a maximum ceiling amount of \$71,702,015.38;

(b) A request for proposal for the provision of temporary workers specializing in financial services, risk and compliance, and project management and financial management information systems, which has a maximum ceiling amount of \$4,776,501.00;

(c) A request for proposal for the provision of application development, support and maintenance services, which has a maximum ceiling amount of \$110,953,907.00.

385. The Board noted shortcomings in the application of the core principles mentioned in the policy on procurement (UNHCR/HCP/2021/01).

*Weaknesses in the application of the fairness principle*

386. Weaknesses have been identified in the tendering processes with regard to the capacity to provide equal opportunities to all bidders, which requires sharing the same information at the same time, maintaining the same evaluation criteria throughout the procedure and demonstrating equal treatment of bidders. In particular, these weaknesses were highlighted during the review of the bid for the provision of medical items.

387. Provision 3.2.1 of the main document for a request for expression of interest only mentions that “UNHCR requires an item coverage of 70 per cent for each list of items in Annex A and Annex B”. The request for expression of interest is a non-formal process which allows the chief procurement official to amend the list of invitees when it is in the best of interests of the organization. The review of pre-qualification bids discarded eight suppliers because they did not achieve the requirement of item coverage of 70 per cent. Nevertheless, it appears that two suppliers were qualified for the closed solicitation even though they did not reach item coverage of 70 per cent.

388. The procurement function and the requesting function changed the “percentage of item coverage” technical criteria between the request for expression of interest and the closure of the solicitation, and between the solicitation and the evaluation. Provision 2.4.1.1 of the cover letter of the solicitation package states that: “Suppliers should have at least 75 per cent item coverage for each of the lots. Suppliers unable to comply with these requirements shall not be qualified for the financial evaluation stage.” Despite this, UNHCR applied a 70 per cent rate, as explained during the Headquarters Committee on Contracts meeting of 25 November 2021. As a result, a candidate that covered 73 per cent of the items passed the technical evaluation and was awarded the contract, as recommended by the Headquarters Committee on Contracts.

*Weaknesses in the application of the transparency principle*

389. The Board noted shortcomings with regard to the transparency of the tendering processes. Bidders were insufficiently informed about the key inputs of the contract requirements at key steps of the tendering process.

390. UNHCR does not determine the procurement strategy (secondary bidding, primary vendor and backup vendor system, selection by rotation, multi-award, single award, and so on) prior to the launch of the solicitation. It is not standard practice to inform the bidders at the stage of the solicitation how frame agreements will be implemented. In fact, until the submission to the committee on contracts, UNHCR does not know which purchasing strategy to implement. Its decision depends on the outcome of the solicitation. The bidders are not clearly and fully informed about the type of contract they may conclude. In the case that UNHCR does not know whether the market will be responsive, it is still possible to carry out a market assessment. For example, it is stated in provision 2.8, "Bid acceptance", of the cover letter of the solicitation package of the bid for the provision of medical items published on 28 May 2021 by UNHCR headquarters that the contract would be awarded to the bid considered most responsive to the needs, as well as conforming to UNHCR general principles, including economy and efficiency, and best value for money. However, it is mentioned in the internal memorandum that the procurement will be conducted through a secondary bidding process.

391. On the basis of the recommendation of the requesting function and the procurement function, the Headquarters Committee on Contracts awarded five suppliers for lot 1 and seven suppliers for lot 2. In addition, the management of the tendering process of the request for proposal for the provision of temporary workers is also worth mentioning. At the competitive bidding stage, the defined need was to have contractors capable of mobilizing off-site for the most part (even if the Board noted that contracting by site and multi-partnership was a deviation from the initial need indicated in the call for tender). However, the methods of selection after the award of the conclusion (subsequent contract, new call for competition, and selection by rotation in the form of a round robin) were not part of the solicitation package. The choice to have a main supplier and a backup supplier is only explained in the minutes of the Headquarters Committee on Contracts meeting, which is not a document available to candidates at the tendering stage.

392. Therefore, the selected suppliers are not informed how the contract will be managed when there are several contract holders. The agreements do not indicate whether, for example, a supplier would be considered as a backup vendor and thus would have very few opportunities to be selected. This practice also disrupts the management of the contract internally, as the contract manager or the contract procurement administrators are not able to tell from the contracts and purchase orders whether the supplier is the primary vendor or the backup vendor, and in this situation why the latter had to be selected. This practice disrupts the vendors' activities, as their forecasts are often based on signed contracts. In the long term, it discourages them from resubmitting proposals in response to solicitations of United Nations agencies, especially if they have never been selected as a supplier in a signed contract.

393. Another example is the cover letter of the solicitation package of the bid for the provision of medical items, where UNHCR mentions that the historical expenditure of essential medicines and medical supplies from 1 January to 31 December 2019 was \$11,912,096 for essential medicines and \$9,691,376 for medical supplies. However, the internal memorandum mentions that the expenditure for medical items procured by UNHCR under the global frame agreements as well as the COVID-19 special agreements in 2019 was \$6,063,276.36 for essential medicines and \$3,647,548.26 for medical supplies. There is a significant discrepancy between the information provided

to the potential pre-qualified bidders and the information given to the Headquarters Committee on Contracts. The figures published in the solicitation package aggregate the 2019 global procurement volume against the frame agreement in use and other local contracts, as the one provided to the Headquarters Committee on Contracts members only depicts the procurement volume from the frame agreement in use.

394. In one country operation, among five contracts selected with a total maximum ceiling amount of \$6.5 million, some shortcomings were also noted as key documents were not issued. The procurement function did not notify the rejected bidders of the results of the process. No letters of regret were issued. This represents a risk in case of appeal from a bidder. For the bid regarding the provision of medical items, a supplier had its bid for lot 1 rejected, but no formal letter of regret was sent and there was no mention of the rejection in its letter of award for lot 2, although the Administration claims that information was shared orally with the supplier during the contract award meeting. Moreover, contrary to the rules set out in chapter 8 of the UNHCR Manual, no overall scoring matrix (technical and financial evaluation) was issued.

*Weaknesses in the application of the best value for money principle*

395. Processes do not fully contribute to optimizing the balance between cost and the quality of the goods and services procured.

396. The definition of the maximum ceiling amount raises issues. It is not calculated on the basis of the budgetary resources foreseen and allocated to UNHCR for this type of expenditure, but is calculated largely on the basis of bids from primary contractors (subject to approval by the Headquarters Committee on Contracts).

397. The maximum ceiling amount is calculated at the step of drafting the internal memorandum on the basis of the highest value of the proposed requirements. The highest value can be either that of the primary vendor or that of the backup vendor. No robust and reliable financial estimation is determined prior to the launch of the tendering process. A vendor will adjust its price according to the volume ordered (the more you order, the less you expect to pay for an individual item), which is why it is paramount that the bidders know the estimated amount that UNHCR intends to buy. The Administration is dependent on the bids of the applicants. For the contract for the provision of application development, support and maintenance services, the maximum ceiling amount will be higher by about 30 per cent compared with the 2020 expenditure.

398. The solicitation package for the latter contract did not provide an estimation of quantity of goods or services in the frame agreement to the bidders, who proposed rates and financial offers without taking into consideration the financial ceilings of UNHCR.

399. Irregular awards of contracts were identified in Zambia during an OIOS audit conducted in 2022.<sup>59</sup> For the bid for the provision related to construction contracts, OIOS identified that “after evaluations were done, staff also verified bidders and disqualified the most responsive bidders on some ground not listed in the criteria”.<sup>60</sup>

*Weaknesses in the application of the interests of the organization principle*

400. For the request for proposal for the provision of temporary workers, the internal memorandum mentions that on the basis of the combined evaluation, supplier “A” submitted the most responsive proposal for a particular location, whereas the backup supplier “B” submitted the second most responsive proposal. However, during the

<sup>59</sup> OIOS, Internal Audit Division, report No. 2022/083.

<sup>60</sup> Ibid., para. 14.

evaluation, the requesting function observed that supplier B's quoted prices were almost four times more expensive than supplier A's quoted prices for that location, and consequently it was decided that supplier A would be retained both as a backup vendor and primary vendor for Budapest. UNHCR did not negotiate with supplier B to keep a backup supplier, even though it was permitted. The Board noted that supplier A had not submitted a financial offer for the off-site support, which is the primary requirement expressed by UNHCR. However, supplier A received the highest score on the financial evaluation of that option. Supplier A was awarded a contract as primary vendor in line with the recommendation of the procurement function and the requesting function. This decision is likely to jeopardize the coverage of the needs for the respective site. If supplier A fails to respond to a request from UNHCR, no other contractor will be able to fill in for this supplier and meet the request. UNHCR mentioned to the Board that if supplier A should fail to respond to a request from UNHCR, UNHCR would still be able to directly approach the market with a request for quotation for addressing any urgent needs. This solution will depend on the level of the urgent needs: a formal solicitation could be needed, which requires time to be carried out, as having a backup supplier is a common method to mitigate the risk of a failure of the main supplier.

401. The Board identified delays in the process with tenders above \$1,500,000. Such delays can jeopardize the timely provision of goods and services.

402. An individual procurement plan is filed for each formal solicitation with an estimated value above \$1,500,000. The individual procurement plan of the request for proposal for the provision of application development, support and maintenance services foresaw completion of the last step, "Obtaining approval for the competent procurement review authority", to the date of 28 February 2021. The meeting of the Headquarters Committee on Contracts was held on 17 June 2021, i.e. three and a half months later. The completion of this step with regard to the individual procurement plan by headquarters for the provision of temporary workers was also delayed by 35 days. Similar issues were noted in another country office. The local committee on contracts meetings are sometimes held at the last minute considering the contract schedules. For the legal services contracts, the meeting took place on 28 December 2020 in order to approve a contract whose effective period started four days later, on 1 January 2021 (the contract was only signed on 11 January 2021). At the meeting held on 27 September 2021, two contracts were discussed and approved, on the renovation of premises and the travel agency, both starting on 1 October 2021.

403. On another note, the administrative requirements were not sufficiently accurate in the solicitation package for the provision of temporary workers. In one country, to operate a business for the provision of temporary workers ("staff leasing") requires a licence. This was not mentioned in the solicitation package. UNHCR had to negotiate this point with the backup supplier for on-site support after the contract had been awarded. The Legal Affairs Section should have been called upon when the solicitation package was drafted to avoid such a negotiation and the resulting delay, which were detrimental to the organization.

404. The Board identified that, in one country office, one company was paid \$67,024 in January 2021 but no contract was found to support the purchase.

405. In another country office, the Board also noted several shortcomings, such as:

- (a) Different scores were given with the exact same comment;
- (b) A score of zero was awarded to a candidate, even though the minimum grade for the item is 1, according to the technical evaluation criteria in the tender;
- (c) A technical evaluation report did not provide any comments to explain how the marks had been established for each criterion for each candidate.

*Incomplete information provided to the members of committees on contracts*

406. The committee on contracts acts as an oversight body on the procurement area. In that regard, its members have to be made aware of all relevant information on procurement in order to make enlightened decisions. The Board notes some shortcomings in the information provided to the committee's members on the contracts examined.

407. For two of the three contracts procured by headquarters, the deadline for submission was extended without a clear reason being given to the Headquarters Committee on Contracts members. For the bid for the provision of medical items, the deadline to bid was extended twice, on 1 July 2021 (new closing date: 2 August 2021) and on 23 July 2021 (new closing date: 20 August 2021). The Headquarters Committee on Contracts members were not informed of these two extensions or of the justification for them. For the request for proposal for the provision of application development, support and maintenance services, on 14 May 2021, the deadline for submission was extended to 20 June 2021. The internal memorandum mentions that this extension was solicited by bidders. However, this information cannot be verified with supporting documents.

408. In a tendering process by headquarters for the provision of temporary workers, the Board noted that the needs changed, but the Headquarters Committee on Contracts members were not informed. Four companies, which qualified at the technical evaluation stage, applied for the on-site services for one location and delivered a financial offer for their on-site intervention in that location. The overall evaluation, i.e. the technical evaluation and the financial evaluation, ranked one supplier as the primary vendor and another supplier as the backup vendor for on-site support. The procurement function and the requesting function removed that specific location from the tendering process after the evaluation step. In that case, the Headquarters Committee on Contracts was not informed of this change, even though it should have been, according to chapter 8 of the UNHCR Manual.

409. For the request for proposal for the provision of application development, support and maintenance services, the procurement function and the requesting function provided insufficient information to the Headquarters Committee on Contracts members on the level at which a technical evaluation was considered to meet the minimum requirements. The cover letter of the solicitation package mentions that "the minimum passing score for submissions to be considered technically compliant will be 53 per cent out of the 70 per cent" (the weighting being 70 per cent technical and 30 per cent price). The exact determination of this threshold is sensitive, as it may qualify or disqualify bidders even before the financial evaluation. It is worth noting that the threshold of 53 per cent is not a standard threshold and several technical evaluations were especially close to the threshold. It is compliant with chapter 8 of the UNHCR Manual. However, the determination method that led to a 53 per cent threshold has not been explained to the Headquarters Committee on Contracts Members, and could have influenced their decision.

**410. The Board recommends that UNHCR regularly undertake a review of the most frequent cases of non-compliance in procurement identified by the relevant procurement review authority, and put in place appropriate measures to tackle the root causes of those weaknesses, in order to improve the oversight of procurement processes at all levels.**

411. The Board considers that, as a result of these regular reviews, UNHCR should resolve all cases of non-compliance identified. In particular, regarding the role as second "line of defence" of the various committees on contracts, (a) each committee should issue an annual report on its reviews and communicate the most important gaps identified, as well as good practices; (b) the Headquarters Committee on

Contracts should also review the work of the regional committees and appreciate their effectiveness; and (c) similarly, the regional committees should review the work of the local ones.

412. UNHCR accepted the recommendation, noting that some of the examples provided above would not, in its opinion, be classified as non-compliance but rather as risk-based managerial decisions. UNHCR also shared doubts about the feasibility of implementing points (b) and (c).

#### **(h) Reinforcing oversight of procurement by implementing partners**

413. UNHCR oversight of the procurement undertaken by implementing partners needs to be reinforced.

414. Procurement undertaken by implementing partners is a significant part of the total UNHCR procurement. Through partnerships, UNHCR delivered protection and assistance to persons of concerns totalling \$2.8 billion, or 31 percent of the \$9 billion total expenditure, in 2020 and 2021. Partners spent \$1.25 billion on the procurement of goods and services.

415. The question of the procurement rules applicable for implementing partners needs to be clarified. The management rules are set out in the administrative instruction on procurement by partners under partnership agreements (UNHCR/AI/2018/1), issued in 2018. This instruction would need to be updated, notably to take into consideration the recent evolutions of UNHCR, such as decentralization. More importantly, the question arises of the linkages between all relevant internal rules of UNHCR and each partnership agreement, since implementing partners are only bound by such bilateral agreements.

416. UNHCR cannot escape responsibility in the way procurement is handled by implementing partners. This responsibility might not be legally binding, but can have huge impacts in terms of reputation and efficiency of the interventions on the ground. In the case of a problem, e.g. fraud or corruption, the reputation of the United Nations would be tarnished beyond the particular implementing partner involved. In a way, in the field of procurement as in other areas, the intervention of an implementing partner simply moves UNHCR from the first “line of defence” to the second, hence with high responsibilities in terms of oversight.

417. OIOS conducted an audit of procurement undertaken by partners using funds of UNHCR, and its report was published in December 2022.<sup>61</sup> This comprehensive audit concluded that the monitoring and oversight of procurement entrusted to partners would require strengthening. OIOS issued six recommendations.

418. The Board concurs with both the findings and recommendations of this recent internal audit report, in particular on the necessity to strengthen the oversight functions of regional bureaux as part of the second “line of defence” of the system. UNHCR stated that it had started the implementation of those recommendations and that it was updating relevant policies and would be issuing revised documents in the course of 2023.

### **C. Transmissions of information by management**

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

419. UNHCR reported that it had formally written off assets of \$8.9 million (2021: \$9.4 million). The write-offs refer primarily to donation reductions, unrecoverable value added tax and aged implementing partner receivables. The Board identified that

<sup>61</sup> OIOS, Internal Audit Division, report No. 2022/082.

the inventories amounting to \$59,000 were written off in 2022, but were not included in the write-off statement transmitted in accordance with financial regulation 6.5 of the Financial Regulations and Rules of the United Nations.<sup>62</sup>

## 2. Ex gratia payments

420. UNHCR reported that it had made ex gratia payments in one case for a total amount of \$13,500, which related to a payment to a former local staff member for which UNHCR did not make a pension contribution to the United Nations Joint Staff Pension Fund. For 2021, UNHCR approved eight ex gratia payments in the amount of \$216,035. That information corresponds with the review of the Board of the financial and management records of UNHCR.

## 3. Cases of fraud and presumptive fraud

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

422. UNHCR reported 26 cases of substantiated fraud during 2022 and nine cases of alleged fraud by implementing partners resulting in financial losses of \$1.2 million (2021: \$1.3 million). Of the 26 cases, 21 were committed by staff members, 4 by concerned members of the affiliate workforce and 1 by a vendor. The staff and affiliate workforce cases involved entitlement/benefit fraud, procurement fraud, medical insurance programme and other medical fraud, recruitment/academic fraud and other fraud.<sup>63</sup> As at 31 December 2022, 17 fraud cases<sup>64</sup> were still under investigation by the Inspector General's Office.

## D. Acknowledgement

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

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

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

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

26 July 2023

<sup>62</sup> Regulation 6.5: "The Secretary-General may, after full investigation, authorize the writing-off of losses of assets, including cash, inventories and property, plant and equipment, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the annual financial statements submitted in accordance with regulation 6.1".

<sup>63</sup> Of the 21 cases, 2 were classified as theft.

<sup>64</sup> Two of the cases are recorded as theft and two as threats/theft/assault.

## Annex

## Status of implementation of recommendations up to the financial year ended 31 December 2021

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.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 27	The Board recommends that UNHCR follow up on the impact and costs of the decentralization and regionalization reform through completing a comprehensive evaluation to establish if the intended results foreseen in the 2019 framework decisions on decentralization and regionalization have been achieved.	A comprehensive evaluation of the decentralization and regionalization reform is included in the work programme for 2023–2024 of the Evaluation Service of UNHCR. As an interim stocktaking measure, a management advisory report commissioned by UNHCR with the Office of Internal Oversight Services of the United Nations (OIOS) was completed in October 2021. The Evaluation Service has included decentralization and regionalization in its workplan for the period 2022–2023.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
2.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR is currently focusing on building the capacity of human resources teams in implementing this approach and embedding it into the updated version of the programme handbook (to be released in 2023).	The updated version of the programme handbook has not yet been published. The Board considers the recommendation as under implementation.		X		
3.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 37	The Board recommends that UNHCR summarize existing documents into one formal accountability framework that defines roles, authorities and accountabilities in the organization in a compulsory manner and includes reporting lines and authorities.	The updated roles, accountabilities and authorities were reissued by the High Commissioner in December 2022. They build on those first launched in October 2019 as part of the decentralization and regionalization process. Over the past three years, many lessons have been learned, which are reflected in this latest version. The updated roles, accountabilities and authorities include new content in key areas of work, including emergency	Work is still ongoing. The Board considers the recommendation as under implementation.		X		

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				<p>preparedness, climate action, response with regard to internally displaced persons, protection from sexual exploitation and abuse and sexual harassment, security management, communications, resource mobilization, data management, evaluation, controls, risk management and oversight. The Administration has also developed roles, accountabilities and authorities to capture the work of the headquarters divisions and entities.</p> <p>The roles, accountabilities and authorities, together with policies and administrative instructions, constitute a foundation block of the UNHCR accountability framework and are a guide to empower teams and support decision-making at every level of the organization. UNHCR intends to bring together these components in a formal accountability framework in 2024 following the finalization of the business transformation programme.</p> <p>UNHCR engaged actively with the Joint Inspection Unit review of accountability frameworks in the United Nations system in 2022 and provided extensive feedback. The outcome of the review will inform the finalization of the overall accountability framework.</p>				
4.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	The Strategic Oversight Service within the Inspector General's Office, in collaboration with the Division of Financial and Administrative Management and the Chef de Cabinet, have now established a tracking sheet for advisory reports and their "suggested actions". A column for "Management follow-up" is contained in the advisory tracking sheet (column I, next to the	The Board considers the recommendation as implemented.	X		

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				<p>initial UNHCR response as included in the advisory report).</p> <p>The table complements the consolidated tracking platform for oversight recommendations. This is because advisory/suggested actions are distinct from oversight recommendations since:</p> <p>(a) Advisory reports are confidential;</p> <p>(b) Follow-up of implementation of suggested actions is not mandatory and does not require formal reporting;</p> <p>(c) Technically the consolidated tracking platform is based on automated exports from TeamMate+, used by OIOS. As the suggested actions are not monitored by OIOS, they are not included in TeamMate+ and their status would remain "open" in perpetuity as there is no formal mechanism to close or implement them.</p>					
5.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 74	The Board recommends that UNHCR reshape its results-based management guidance to ensure the intended reorientation of strategic planning and set a focus on the required mind-shift towards the intended added value of the new approach, the multi-year planning and the practical implementation of COMPASS.	<p>Capacity-building officers have been deployed to all regional bureaux since 2021 to assist with this. Starting in 2023, they will also support the roll-out of the Project Reporting, Oversight and Monitoring Solution (PROMS).</p> <p>In response to demand for training to improve the quality of strategic planning, notably the theory of change, the Division of Strategic Planning and Results has deployed a number of missions to operations (Mauritania and Mozambique) and bureaux (East Africa, Horn of Africa and Great Lakes, Europe and West Africa) to pilot and roll out training-of-trainer courses in the context of ongoing strategic planning exercises.</p>	Work is still ongoing. The Board considers the recommendation as under implementation.			X	
6.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 85	The Board recommends that UNHCR complement the COMPASS tool with enhanced	UNHCR is developing reporting functionalities, which include a business intelligence tool that will allow both global and detailed COMPASS data	Work is still ongoing. The Board considers the recommendation as under implementation.			X	

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			reporting functionalities based on identified user needs.	analysis as well as the creation of custom connected reports for specific needs. These are expected to be available in early 2023.				
7.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 87	The Board recommends that UNHCR further enhance the user-friendliness, functionalities and operational capabilities of the COMPASS tool.	UNHCR has been improving and enhancing the COMPASS tool, taking into account, in particular, the lessons learned as collected through a global survey and workshops held in 2021. This has allowed the organization to capture end-user feedback and identify areas for improvement, which are mainly focused on performance, stability, user experience and reporting capabilities. During the first quarter of 2022, in the key areas of budgeting and results management, positive feedback has been received from the end-users for user-friendliness improvements that were implemented. Functional and reporting improvements to the position management functionality were implemented in the fourth quarter of 2022. The remaining enhancements are included in the scope of work of the COMPASS realignment project and are planned to be completed by the third quarter of 2023.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
8.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR has incorporated strengthened monitoring and evaluation guidance and tools in the revised programme handbook to increase coherence in monitoring efforts across different functions.  In-person workshops include a global programme monitoring workshop with 25 colleagues from the programme, information management and project control functions from all seven regions, which was provided in June 2022. Programme monitoring and results	The Board considers the recommendation as implemented.	X		

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				<p>monitoring survey training in Southern Africa for programme, information management and other colleagues from all operations was conducted in November 2022, for country operations in West Africa in February 2023 and for country operations in East Africa, the Horn of Africa, and the Great Lakes region in March 2023 (over 40 participants). Up to two additional workshops are planned in other regions later in 2023. The monitoring and evaluation community of practice has 216 members across headquarters divisions and entities, regional bureaux and country operations and regularly shares good practices and interesting resources or answers questions from field colleagues related to monitoring and evaluation. Supporting documents were shared.</p>				
9.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 101	The Board recommends that UNHCR streamline the measurement of programme results by interconnecting sectoral information available in other systems, such as CashAssist and PROMS, to feed into COMPASS, the new results-based management tool.	<p>With the coordination of the Global Data Service and oversight by the Senior Data Advisory Board, UNHCR is implementing its data transformation strategy, which will consolidate programmatic and operational data from different systems and applications, including PROMS and CashAssist, for the purpose of cross-sectoral analysis and reporting. The availability of such consolidated data will assist in streamlining the measurement of programme results, as recommended by the Board.</p> <p>Implementation of the PROMS project is in progress and is expected to go live in the third quarter of 2023, together with Cloud ERP.</p>	Work is still ongoing. The Board considers the recommendation as under implementation.		X	

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10.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR is in the process of monitoring the use of good practice and user-defined indicators to understand how this flexibility has been utilized, taking into account the fact that this was a key requirement from field operations at the time when the new results-based management system was developed. The lessons learned will feed into the organizational efforts to enhance the management of indicators and will be captured in the programme handbook.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
11.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 112	The Board recommends that UNHCR continue to review and monitor the selection and use of output indicators, with a view to considering developing a subset of relevant output indicators for global aggregation and reporting.	In 2023, UNHCR is introducing a set of core output indicators that operations will start using in COMPASS for strategies in 2024. This set will be used for global reporting, with results data available for the first time in 2025, and will help to streamline the aggregation of outputs.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
12.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 117	The Board recommends that UNHCR carefully review the comparability of indicators that are intended for global presentation and ensure the availability of baseline data.	The review of core indicator data is being systematically undertaken as part of the 2022 annual results reporting. Baseline data for core indicators will be shared as part of the global report, as well as country annual results reports. Since this is the first time that UNHCR will be sharing baseline data for the new indicators, UNHCR will use this internal review and external reporting to learn lessons and possibly refine and improve the review of baselines in future.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
13.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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	UNHCR continues to monitor progress in all the business transformation programme projects, including on costs. As at 10 October 2022, the Digital HR system had gone live as planned, while the remaining systems were still on course, as planned. Presentations were made to the Programme Executive	The Board considers the recommendation as implemented.	X			

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14.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 146	governing bodies in case of further delays and changes. 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.	Committee evidencing the continuous monitoring of the programme. UNHCR has developed a decision tree to assist in the identification of those cases for which cloud-based technology was used and capitalization might be required. The decision tree that UNHCR uses to guide the identification of costs relating to cloud-based technologies and determine their eligibility for capitalization was further refined. This decision tree is now used in practice to guide business transformation programme staff and other offices handling big information technology projects on how to decide whether to capitalize various parts of those projects. This will subsequently inform the future update of the policy on intangible assets. Additional documentation demonstrates that the decision tree was communicated to various project managers and that they actually applied it in their review of the project costs and ensured that costs related to software as a service were identified and appropriately recorded. To further formalize the process captured in the decision tree, a new guidance note was published in March 2023 on the UNHCR intranet site for financial management.	The Board considers the recommendation as implemented.	X		
15.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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	UNHCR continues to track and monitor programme-related costs, which are regularly reviewed by the Programme Executive Committee. The latest analysis of programme costs for each project is available, including a breakdown by cost centre.	The Board considers the recommendation as implemented.	X		

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			enterprise resource planning system.	UNHCR gave a presentation to the Programme Executive Committee that summarized the project costs. The costs related to each project are recorded in the relevant cost centres, which are monitored against the budgets for the year, as well as the estimate at completion. These numbers are presented to the project steering committee, which reviews them on a monthly basis. Additional presentations were made to the Programme Executive Committee earlier in 2022 showing that the project cost centres were already implemented. In addition, UNHCR shared an extract of the actual versus budget amounts at the end of 2022 for each project and cost centre.				
16.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR will continue to ensure that programme costs are capitalized appropriately in accordance with the policy on intangible assets. The actions taken to address the recommendation in paragraph 217, set out below, will also contribute to the implementation of this recommendation.  The decision tree that UNHCR uses to guide the identification of costs relating to cloud-based technologies and determine their eligibility for capitalization was further refined. This decision tree is now used in practice to guide business transformation programme staff and other offices handling big information technology projects on how to decide whether to capitalize various parts of those projects. This will subsequently inform the future update of the policy on intangible assets. Additional documentation demonstrates that the decision tree was communicated	The Board considers the recommendation as implemented.	X		

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				to various project managers and that they actually applied it in their review of the project costs and ensured that costs related to software as a service were identified and appropriately recorded. To further formalize the process captured in the decision tree, a new guidance note was published in March 2023 on the UNHCR intranet site for financial management.				
17.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	All Headquarters Committee on Contracts approvals state a maximum of five years by indicating "3+1+1 years", which means that a maximum of three years may initially be approved, with up to two renewals for a further year. In addition, contracts that require multi-year commitment requires approval by the Resource Planning and Management Board.	The Board considers the recommendation as implemented.	X		
18.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR has put in place monitoring indicators in the form of dashboards, and maintains regular communication with the regional supply officers who in turn coordinate with the country operations to identify and implement corrective measures. UNHCR will further put in place various escalation mechanisms for those countries flagged through the dashboards.  An escalation process has been developed, agreed and approved by senior management for low-performing warehouses, along with an escalation matrix and a reference guide. The Head of the Supply Management Service will share it with the regional supply officers and asks for their support in disseminating	The Board considers the recommendation as implemented.	X		

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				it to the country operations within their respective regions. When communicating the calendar of inventory verification activities with the supply community and representatives (which the Head of the Supply Management Service does at the beginning of each year), the Administration will refer to this new process and did so most recently in early 2023.					
19.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR will address the recommendation by configuring its new cloud enterprise resource planning system to include clear categories of various specific items with the aim of minimizing the use of generic items. In the interim, UNHCR will issue an official internal communication requesting buyers to exercise additional care in selecting the most appropriate item identifiers.	The Board has issued a new recommendation to cover this problem and therefore considers the recommendation as overtaken by events.				X
20.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR had planned to issue further instructions to clarify the accounting approach by the end of 2022. As a first step, immediate instructions were already briefly captured in the administrative instruction for closing the year 2022. At the same time, draft guidance has been prepared and circulated with support divisions to use for further advising the field operations. However, it became clear that the finalization of this guidance was not opportune, given that the new enterprise resource planning system will bring changes in the way UNHCR will deal with the transfer of assets. Furthermore, as part of the review of the policy framework related to the business transformation programme, it is envisaged that future technical guidance	The Board considers the recommendation as implemented.	X			

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				such as this will be captured in the UNHCR financial management manual, instead of separate instructions being proliferated. The reference to the exact documents needed to support the transfer of ownership may also depend on the final design of Cloud ERP, and UNHCR will be able to confirm this only at a later stage during 2023. Accordingly, UNHCR considers that it has in substance addressed the recommendation on a short-term basis by preparing immediate guidance to be used until the launch of the new enterprise resource planning system, while it plans to address it on a longer-term basis in a manner adapted to the new way of working in the context of the business transformation programme.				
21.	2021	A/77/5/Add.6, chap. II, para. 208	The Board recommends that UNHCR improve its mechanisms for the tracking of large orders of information technology-related serially tracked items in the new enterprise resource planning system and strengthen the compliance of field operations with the policy on serially tracked items.	UNHCR made a large procurement of equipment in response to 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 the receipt of equipment from the manufacturers and the distribution of items to various field locations. In addition, because of the remote working mode, the availability of receiving staff in field locations was limited. UNHCR is exploring ways to design an improved system for tracking assets (including the serially tracked items) in the new cloud-based enterprise resource planning system.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
22.	2021	A/77/5/Add.6, chap. II, para. 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	UNHCR provided the decision tree, which is relevant and in line with the recommendation. Additional documentation demonstrates that the decision tree was communicated to various project managers and that they actually applied it in their review of the	The Board considers the recommendation as implemented.	X		

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			intangibles where appropriate and feasible and as required by IPSAS (A/76/5/Add.6, chap. II, para. 163).	project costs and ensured costs related to software as a service were identified and appropriately recorded. To further formalize the process captured in the decision tree, a new guidance note was published in March 2023 on the UNHCR intranet site for financial management.				
23.	2021	A/77/5/Add.6, chap. II, para. 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.	UNHCR has included in the 2022 year-end instructions a requirement for field offices to confirm the existence of any local fundraising activities.	The Board considers the recommendation as implemented.		X	
24.	2021	A/77/5/Add.6, chap. II, para. 234	The Board recommends that UNHCR accelerate its separation process to minimize the number of cases that last beyond the turn of the year.	There is a need to reach the level of "business as usual" with the Workday system to enable UNHCR to implement process enhancements. All human resources practitioners are still learning the ways of working in Workday. Moreover, the MSRP system is being maintained to process retroactive transactions. As such, it is too early for the Division of Human Resources to implement these recommendations. The Administration will look into this recommendation during the second half of 2023.	Work is still in progress with the new system (Workday). The Board considers the recommendation as under implementation.			X
25.	2021	A/77/5/Add.6, chap. II, para. 235	The Board recommends that UNHCR ensure the timely recognition of special post allowances and salary increases after promotion to higher staff categories in the	There is a need to reach the level of "business as usual" with the Workday system to enable UNHCR to implement process enhancements. All human resources practitioners are still learning the ways of working in Workday. Moreover, the MSRP system is being	Work is still in progress with the new system (Workday). The Board considers the recommendation as under implementation.			X

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			new enterprise resource planning system.	maintained to process retroactive transactions. As such, it is too early for the Division of Human Resources to implement these recommendations. The Administration will look into this recommendation during the second half of 2023.				
26.	2021	A/77/5/Add.6, chap. II, para 241	The Board recommends that UNHCR ensure the recording of salary payments in the appropriate financial period by integrating all other payroll elements into the global payroll subledger of the new enterprise resource planning system to avoid staff-related journal entries on general ledger accounts.	UNHCR is in the process of migrating to a new enterprise resource planning system that will integrate all payroll accounting procedures into the subledger and will enhance the automation of the payroll journal entries that are currently posted manually. This future automated process will further support the recording of salary payments in the appropriate financial period by enhancing the accuracy and completeness of the year-end accruals in connection with the payroll elements.	Work is still ongoing. The Board considers the recommendation as under implementation.			X
27.	2021	A/77/5/Add.6, chap. II, para. 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.	The automated feature to retroactively amend salary computations became available in Workday as from the go live date of 1 October 2022. Workday is capable of calculating retroactive entitlements, including the implementation of salary scales. Any part of the calculation of retroactive entitlements preceding 1 October 2022 is done in the previous enterprise resource planning system, MSRP, which is available for that purpose during 2023. Supporting documents have been shared.	The Board considers the recommendation as implemented.	X		
28.	2021	A/77/5/Add.6, chap. II, para. 255	The Board recommends that UNHCR ensure that payslips state the date of issuance to enhance transparency.	In the new Digital HR system, payslips are designed to include the date of issuance. The issuance date and time are now visible at the bottom of the payslips from the system, starting from October 2022. Supporting documentation has been shared.	The Board considers the recommendation as implemented.	X		

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29.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 259	The Board recommends that UNHCR provide up-to-date information in its Staff Administration and Management Manual and future manuals or systems.	The new cloud enterprise resource planning system for human resources management, Workday, went live on 10 October 2022 and the Staff Administration and Management Manual was replaced as from that date. Standard operating procedures and job aids summarizing human resources policies and processes are now available in Workday. In addition, new and revised administrative instructions are uploaded to a site maintained by the Human Resources Policy Section and a new landing page, called "My HR", was created on the UNHCR intranet, guiding interested staff members to the appropriate resources in the field of human resources.	The Board considers the recommendation as implemented.	X			
30.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 273	The Board recommends that UNHCR improve its data sources for the reporting of staff in between assignments and use the valid data from the payroll system as an information basis.	There is a need to reach the level of "business as usual" with the Workday system to enable UNHCR to implement process enhancements. All human resources practitioners are still learning the ways of working in Workday. Moreover, the MSRP system is being maintained to process retroactive transactions. As such, it is too early for the Division of Human resources to implement these recommendations. The Administration will look into this recommendation during the second half of 2023.	Work is still in progress with the new system (Workday). The Board considers the recommendation as under implementation.		X		
31.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR processes the salary and allowances of staff on special leave with full pay in accordance with the applicable rules. To ensure that the correct entitlements are included in the calculation, a guidance document will be released on the administration of staff in between assignments, which will also	The Board considers the recommendation as implemented.	X			

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				cover the computation of salaries for staff on special leave with full pay. UNHCR has a new global human resources tool called the Common Reference System (CORES), which is designed exclusively for human resources and administrative staff to assist them in determining eligibility for entitlements and applying the correct human resources administrative procedures. In CORES, a summary table outlining the benefits and entitlements for all special leave with full pay scenarios is available to human resources staff. It is located under table 1 in the "Special leaves" module in CORES and explains the different situations in which salary parts are to be paid to staff on special leave with full pay. UNHCR provided the table as an excerpt from the module.				
32.	2021	A/77/5/Add.6, chap. II, para. 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.	UNHCR has now transferred the legacy reserves from the Annual Programme Fund to the Self-Financing Activities Fund. This was effected through a memorandum signed by the Controller and subsequently a journal entry. Supporting documentation has been shared.	The Board considers the recommendation as implemented.	X		
33.	2021	A/77/5/Add.6, chap. II, para. 286	The Board recommends that UNHCR update its financial risk management strategy and guidelines, conduct updates on a regular basis and specify in the guidelines how UNHCR assesses, monitors and mitigates the credit, liquidity and market risks (in particular currency and interest risks) at the individual and portfolio level.	UNHCR has already drafted and shared with the Board its core treasury, risk management, liquidity, foreign exchange and investment policies and guidelines, which are in the final stages of review before being formally published.	Work is still ongoing as the policies and guidelines have not yet been issued. The Board considers the recommendation as under implementation.		X	

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34.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 294	The Board recommends that UNHCR design additional automated key performance indicators that can be objectively calculated on the basis of data recorded in the new enterprise resource planning system and that complement the information used in generating the statement of internal control.	UNHCR will identify performance indicators that can be calculated on the basis of data recorded in the system and can be relevant in assessing the functioning of various controls. Those indicators will be used to complement the information collected through the self-certified internal control questionnaire, as part of the process to prepare the statement of internal control.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
35.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 306	The Board recommends that UNHCR ensure that country operations finalize partnership agreements prior to the project start.	The updated administrative instruction on COMPASS get results (UNHCR/AI/2021/08/Rev.1) was issued on 28 July 2022. It is stated in article 5.6 of the administrative instruction that timely completion of partnership agreements ahead of the effective start date of implementation is critical. Article 8.4 (a) of the financial rules for voluntary funds administered by the High Commissioner ( <a href="#">A/AC.96/503/Rev.11</a> ) requires that agreements with funded partners be concluded before programme implementation starts. If an operation envisages that a partnership agreement will not be concluded ahead of its effective start date, the UNHCR signatory to the partnership agreement will review the situation and document any exception leading to the delayed completion of the partnership agreement.	The Board considers the recommendation as implemented.	X			
36.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 310	The Board recommends that UNHCR review the accounting process of implementing partners with regard to an automation and simplification that makes manual intervention almost redundant in the new enterprise resource planning system.	Implementation of the PROMS project is in progress and the solution is expected to go live in the third quarter of 2023, together with Cloud ERP.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		

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37.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	Implementation of the PROMS project is in progress and the solution is expected to go live in the third quarter of 2023, together with Cloud ERP.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
38.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 322	The Board recommends that UNHCR use the tools available to take further steps to improve compliance with its deadlines with regard to partner financial reports.	Implementation of the PROMS project is in progress and the solution is expected to go live in the third quarter of 2023, together with Cloud ERP.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
39.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	The updated administrative instruction on COMPASS get results (UNHCR/AI/2021/08/Rev.1) was issued on 28 July 2022. It is clearly stated in annex B to the administrative instruction that where pooled accounts are used, partners are required to enable UNHCR access to the banking information in the same manner as is done for a separate project bank account. If a partner is unable to facilitate access by UNHCR to a pooled bank account (for example, for confidentiality reasons), then a separate project bank account must be utilized.	The Board considers the recommendation as implemented.	X			
40.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR has reclassified the expenses related to national fundraising partners from the implementing partners category to the contractual services category. This reclassification is now reflected in the financial statements for 2022, together with the comparatives for 2021.	The Board considers the recommendation as implemented.	X			

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41.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	The Division of Human Resources and the Division of Resilience and Solutions have worked on the updated guidance, which is included in the UNHCR handbook for designing field presences.	The Board considers the recommendation as implemented.	X			
42.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	UNHCR has issued an updated administrative instruction on financial management and related risks for cash-based interventions, which provides updated standard operating procedures templates, including a section on exit strategies (section 8).	The Board considers the recommendation as implemented.	X			
43.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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.	Lessons learned from the Greece experience have been documented and are available on the UNHCR intranet.	The Board considers the recommendation as implemented.	X			
44.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 370	The Board recommends that UNHCR continue to further expand the year-to-year trend analysis in post-distribution dashboards and reports where relevant.	While recognizing that the comparison between years is contextual, the yearly post-distribution monitoring report for 2021 has included an analysis on the variance between years. See the UNHCR document entitled "Main outcomes of cash assistance in 2021: findings from post-distribution monitoring".	The Board considers the recommendation as implemented.	X			
45.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 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	In May 2022, UNHCR issued the administrative instruction on procurement, which superseded sections related to procurement in chapter 8 of the UNHCR Manual. While updates to the Manual will still be pursued, this is not urgent given that the administrative	The Board notes that the revised administrative instruction on procurement of 19 May 2022 (UNHCR/AI/2021/5/Rev.1) supersede chapter 8 of the UNHCR Manual and				X

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			procurement rules and regulations.	instruction already addresses the procurement areas in line with the recommendation. The updates to the Manual will need to take into consideration any necessary adjustments related to the current implementation of Cloud ERP.	therefore considers the recommendation as overtaken by events.				
46.	2021	A/77/5/Add.6, chap. II, para. 380	The Board recommends that UNHCR update and aggregate its existing policies and guidelines regarding the monitoring, documentation and accounting of construction projects to achieve an institutionalized use of templates and status reports.	Guidance related to construction projects is currently available in various documents. UNHCR is planning to capture all of this guidance in a consolidated manner as part of the new programme handbook currently under development. It is expected that this consolidated guidance will contribute to an improved consistency and harmonization of practices for recording and monitoring the construction in progress across the field operations.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
47.	2021	A/77/5/Add.6, chap. II, para. 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.	The Supply Management Service within the Division of Emergency, Security and Supply has been preparing for a data migration for one of the test phases of the Cloud ERP project and intensified the efforts in cleaning up the item master data. The review is being conducted with a view to improving clarity on what each item represents and reducing generic items that could be selected for an inappropriate use. This involves discontinuing duplicate items, updating descriptions and categories, discontinuing items that have not been used in procurement, and removing generic items that are being used inappropriately.  In addition, weekly scheduled queries highlight documents where items may be wrongly selected or at risk of incorrect inventory valuation. The inventory team follows up with the operations and	Given that there is a new cloud enterprise resource planning system with a different system for attributing identifiers to items, the Board considers the recommendation as overtaken by events.				X

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				support team in case of a need to modify the documents. The topic of item selection, in particular item groups, was discussed in two webinars.				
48.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 395	The Board reiterates its recommendation that UNHCR establish an overarching strategy for workforce planning purposes ( <a href="#">A/76/5/Add.6</a> , chap. II, para. 288) and emphasizes that the strategy framework should outline how trends could be assessed.	The UNHCR workforce planning approach is embedded in the overall planning approach and is being rolled out in 2023. In support of the 2023 planning phase, a workforce planning handbook will be released to support country operations and regional bureaux in implementing the workforce planning approach.  The Division of Human Resources has initiated the drafting of an overarching strategy and framework for workforce planning in UNHCR.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
49.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 401	The Board reiterates its recommendation that UNHCR develop and release staffing review toolkits ( <a href="#">A/76/5/Add.6</a> , chap. II, para. 296) and stresses that these toolkits should include indicators for benchmarks following the eight functional areas to quantify staffing needs.	The tools for implementing workforce planning, including staffing reviews, will be contained in the workforce and structural planning handbook to be released in 2023.  The staffing indicators are being gradually included in the UNHCR handbook for designing field presences. Work is under way with different functions, including protection, the main functional area of UNHCR (both in terms of size of workforce and importance to the UNHCR mandate).	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
50.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 405	The Board recommends that UNHCR examine whether to establish sample performance indicators that could be used for monitoring purposes and adapted to the staffing needs of each operation.	The Division of Human Resources has drafted a list of key performance indicators that can be used to monitor the human resources action plans. The list of key performance indicators will be included in the workforce and structural planning handbook, which will be made available to human resources colleagues across the world in support of planning.	The workforce and structural planning handbook with the key performance indicators has not been issued yet. The Board considers the recommendation as under implementation.		X	

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51.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 410	The Board recommends that UNHCR reconsider the methodology for determining the right size of the human resources teams in operations.	The Administration is implementing the UNHCR workforce planning approach across UNHCR, including the human resource function. In line with the recommendation contained in paragraph 401 of the Board's report for 2021, the Division of Human Resources has identified staffing indicators for determining the right size and level of human resources teams in the operations. This work will be finalized and shared with human resources partners during the second quarter of 2023 to inform human resources staffing planning decisions in the respective regions.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
52.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 417	The Board recommends that UNHCR review how the plan access control system roles are attributed to functional roles in UNHCR to encourage more participation and inputs and ultimately optimize the quality of the information entered in COMPASS.	UNHCR has reviewed the plan access control roles and ensured that human resources partners have been granted the "bureau plan quality assurer" roles in COMPASS.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
53.	2021	<a href="#">A/77/5/Add.6</a> , chap. II, para. 418	The Board recommends that UNHCR strengthen the role of human resources partners and make their participation in the budget and annual programme review process more prominent.	Language on the role of human resources is included in various sections of the draft programme handbook to be released in 2023. In addition, the Division of Human Resources has proposed language to be included in the new policy on plan, get and show to reflect the important role of human resources in the planning process.	Work is still in progress. The Board considers the recommendation as under implementation.		X		
54.	2020	<a href="#">A/76/5/Add.6</a> , chap. II, para. 89	The Board recommends that UNHCR continue to review the impact of the changes to its budgetary structure on management efficiencies,	UNHCR will continue to examine its amended budget structure over the coming budget cycles, with a view to reporting to Executive Committee in accordance with the relevant decision of	The Board notes that UNHCR will continue to examine its amended budget structure so as to submit a review to the Executive		X		

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			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.	the Committee at its seventy-first session (see <a href="#">A/AC.96/1209</a> ), in which it endorsed a review of the impact of changes to the budgetary structure and periods on management efficiencies and the ability of UNHCR to deliver on its mandate, with a view to any revisions if needed, to be presented to the Committee no later than 2025, with preliminary reviews as needed. In October 2021, the Executive Committee approved the programme budget for 2022 ( <a href="#">A/AC.96/1213/Rev.1</a> ), the first one to reflect the new global results framework. The programme budget for 2023 will be submitted for review by the relevant United Nations and UNHCR committees. Those reviews will provide a new opportunity to assess whether Member States have any concerns about the new budgetary structure, including its transparency and quality.	Committee. No information was provided to the Board about concerns expressed by Member States during the review of the programme budget for 2023. In view of the timeline for the endorsed review (until 2025), the Board considers the recommendation as under implementation.			
55.	2020	<a href="#">A/76/5/Add.6</a> , 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.	UNHCR notes that there were some challenges in completing the recruitment of a candidate for the Fuel Management Consultant position and it decided to proceed with the project by engaging internal capacities. A new recruitment action has been launched. The project for the analysis of fuel management will be relaunched at the beginning of April 2023. Documentation was provided on a draft fuel management project structure and an action register for fuel management in country operations.	The Board acknowledges the progress achieved and notes that work is still ongoing. The Board considers the recommendation as under implementation.		X	
56.	2020	<a href="#">A/76/5/Add.6</a> , chap. II, para. 172	The Board recommends that UNHCR implement measures to facilitate the monitoring of	UNHCR is in the process of drafting an administrative instruction on fuel management. This new instruction will	The Board acknowledges the progress achieved and notes that work is still ongoing.		X	

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			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.	<p>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 that regard will be especially emphasized, building upon the conclusions from the fuel survey conducted in 2021.</p> <p>A fuel stock measurement/control pilot study has been initiated in one country operation with new technology for fuel level monitoring. The findings of the pilot study will inform the broader study. Evidence for the fuel stock pilot study was provided, indicating the expected dates for the calibration of the five fuel probes installed in Uganda.</p> <p>Quality control reports are being developed to monitor the quantity and quality of fuel data, including the ability to identify missed fuel events.</p> <p>These reports will allow UNHCR to monitor the improvements gained over time.</p>	The Board considers the recommendation as under implementation.				
57.	2020	<a href="#">A/76/5/Add.6</a> , 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.	Following an in-depth internal discussion, which also took into consideration the new functionalities that will be provided by the new enterprise resource planning system, UNHCR has eventually decided to amend the current service delivery model for vendor registration and consolidate such an important activity for the whole organization into a single team. It is considered that such an approach will produce a more efficient and better controlled process. The new service delivery model will be implemented as part of the implementation of the new enterprise resource planning system. UNHCR is	Owing to the changeover to the new Cloud ERP system, the Board considers the recommendation as overtaken by events.				X

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58.	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.	currently establishing the new team and working on the data migration. UNHCR planned to issue consolidated guidance material for the implementing partnership management processes by the end of 2022. However, given the ongoing changes under the business transformation programme, the launch of the new programme handbook and partnership management policy has been postponed to mid-2023, thus necessitating the revision of the target date for implementation of the recommendation.	The Board was not provided with the consolidated guidance material that UNHCR intended to issue by the end of 2022. The Board also notes that the launch of the new programme handbook and partnership management policy has been postponed to mid-2023. Therefore, the Board considers the recommendation as under implementation.		X		
59.	2020	A/76/5/Add.6, chap. II, para. 268	The Board recommends that UNHCR define more clearly the cases in which the use of new job titles for affiliates is applicable with regard to the new administrative instruction.	The Digital HR system has just been implemented and, in the same way as for regular staff, it enables the selection of standard job titles for the affiliate workforce. The first job requisitions have started to be placed in Digital HR and it offers the standard job titles to be used. It is expected that in the majority of cases, if an affiliate (e.g. a contractor or a United Nations Volunteer) does a similar if not identical job to a staff member, the standard job titles will be used. However, UNHCR wishes to reiterate that owing to the nature of the affiliate workforce, there will always be jobs assigned to affiliates for which UNHCR will not create a position and therefore a standard job description will not be used.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
60.	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	With the roll-out of the new human resources system, it will be possible for UNHCR to develop advanced analytics to carry out comprehensive human resources analyses. The analytics	Work is still ongoing. The Board considers the recommendation as under implementation.		X		

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61.	2020	A/76/5/Add.6, chap. II, para. 311	<p>would facilitate human resources planning analysis. Therefore, UNHCR should define key indicators. This would allow for the benchmarking of the workforce among operations and would enhance knowledge regarding whether the various functional groups of an operation are adequately staffed compared with those of other operations.</p> <p>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.</p>	<p>requirements for workforce planning will be developed throughout the implementation timeline, including training the appropriate staff on how to produce them in the new system. To define key indicators, UNHCR will identify benchmarks relevant to international humanitarian organizations. It is envisaged that the advanced analytics will be available about 18 months after the deployment of the new system. Workday was launched in October 2022.</p> <p>A key performance indicators matrix has been developed, and reports restructured to enable focus to be placed on problematic areas, including FleetWave records.</p> <p>In addition, the regional controllers were involved in following up with the country operations within their area of responsibility. Actions have been taken to address the issue of data quality and global fleet management. UNHCR considers that quality improvement of FleetWave data has been implemented. Furthermore, historical data from the MSRP, FleetWave and vehicle tracking system platforms has been processed and cleaned to give a data set that future data can be easily added to and reported on using Power BI dashboards and reports. An example is the fleet planning dashboard, which presents information on fleet size, fleet age, fuel consumption and the vehicle tracking system function.</p>	The Board considers the recommendation as implemented.	X		

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62.	2020	<a href="#">A/76/5/Add.6</a> , chap. II, para. 312	The Board recommends that UNHCR, together with the FleetWave provider, optimize the FleetWave tool to avoid faulty data recording and to enhance usability.	The change in the UNHCR enterprise resource planning system from PeopleSoft to Oracle has provided the opportunity to enhance the integration with FleetWave. The PeopleSoft integration has four interfaces, with data flowing from the enterprise resource planning system to FleetWave. With the Oracle integration, there will be seven interfaces that will allow bidirectional data flow, i.e. data will pass back from FleetWave to the enterprise resource planning system. The changeover from PeopleSoft to Oracle will be phased: the current interface functionality will be replicated with Oracle by July 2023 and the additional integrations are expected to be implemented by the first quarter of 2024.  A diagram of the interfaces is shown in the eSafe folder.	The Board acknowledges the effort made with regard to the integration between FleetWave and the enterprise resource planning system. Work is still ongoing. The Board considers the recommendation as under implementation.		X		
63.	2020	<a href="#">A/76/5/Add.6</a> , 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.	In its global fleet management strategy 2021–2025, UNHCR will include milestones in the progress of data quality in FleetWave. Further to the report on the pilot project concluded in March 2022, the authorization of a few partners to enter data into FleetWave in 2021 with the support of a service provider contributed to an increase in the overall quantity of data recorded in the system. New pilot projects will be conducted with the adjusted scope and fine-tuned applications based on the lessons learned from the initial pilot project. As part of the study initiated to analyse how to improve the FleetWave data flow process, a matrix of key performance indicators has been developed to illustrate the planned improvements in the quality and	The Board considers that the implementation of the key performance indicators and their monitoring address the recommendation.	X			

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64.	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.	quantity of FleetWave data. The indicators cover each operational aspect (fuel, service and repair, ageing and utilization), and the corresponding targets have been set with incremental improvements over a three-year period. Reports have been restructured to enable focus to be placed on problematic areas, including FleetWave records. Supporting documentation has been shared.	Implementation of the recommendation will be addressed through the incorporation of the necessary functionality in the design of the new enterprise resource planning system. Asset recognition will be significantly streamlined in new system. For example, the capitalization threshold accounting will be automated by rule. The system is designed to make batch recording of asset capitalizations from accounts payable data with a minimum of manual effort. The target date for this recommendation has been revised to align with the projected dates for implementation of the new enterprise resource planning system.	Work is still ongoing. The Board considers the recommendation as under implementation.		X		
65.	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.	The implementation of the recommendation will be addressed through the incorporation of the necessary functionality in the design of the new enterprise resource planning system. In the discussions on the design of the new system, ideas for simplification of the methodology for the allocation of transport costs of assets have already been raised. While decisions will be made, as applicable, during the design phase, implementation will take effect after the go-live date of	The implementation of the recommendation will be addressed through the incorporation of the necessary functionality in the design of the new enterprise resource planning system. In the discussions on the design of the new system, ideas for simplification of the methodology for the allocation of transport costs of assets have already been raised. While decisions will be made, as applicable, during the design phase, implementation will take effect after the go-live date of	Work is still ongoing. The Board considers the recommendation as under implementation.		X		

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				the new system, hence the target date of implementation of this recommendation has been revised.				
66.	2019	<a href="#">A/75/5/Add.6</a> , 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.	UNHCR has included in the 2022 year-end instructions a requirement for field offices to identify and report any stocks of fuel on hand at year-end that are of material value and could qualify as inventories (annex 7, on fuel and other consumables).	The Board considers the recommendation as implemented.	X		
67.	2019	<a href="#">A/75/5/Add.6</a> , 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 in 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 access controls and financial controls foundational design documents of the new system will be implemented on the go-live date of the new system. Accordingly, the target date for implementation of this recommendation has been revised to align with the projected go-live date.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	
68.	2019	<a href="#">A/75/5/Add.6</a> , 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 will be addressed through the same actions described above in respect of the recommendation in paragraph 88 of the Board's report. Consequently, the target date for implementation has been revised to align with the target date of that recommendation.	Work is still ongoing. The Board considers the recommendation as under implementation.		X	

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69.	2019	<a href="#">A/75/5/Add.6</a> , 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 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 in relevant administrative instructions. This approach is aligned with the functions of the respective organizational entities throughout the organization. Furthermore, the budget planning instructions issued in 2021 for the 2022 cycle (UNHCR/AI/2021/01/Rev.2) provide guidance to operations on developing a context-specific results frameworks as part of their strategies linked to the global results framework. Other actions described in the responses to the recommendations in paragraphs 118, 126 and 141 of the Board's report, which have been assessed by the Board as implemented or overtaken by events (see <a href="#">A/77/5/Add.6</a> , chap. II, annex), have also contributed to addressing this recommendation.	The Board considers the recommendation as implemented.	X			
70.	2019	<a href="#">A/75/5/Add.6</a> , 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 implementing the Project Reporting, Oversight and Monitoring Solution (PROMS). This tool will greatly reduce the organization's current dependency on paper-based tools. UNHCR is actively seeking to incorporate an aggregate risk-based project monitoring template in this new online system. PROMS is scheduled to be launched during the second half of 2023. Consequently, the target implementation date for this recommendation has been revised to align with the PROMS implementation date.	The Board considers the recommendation as implemented.	X			

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71.	2019	<a href="#">A/75/5/Add.6</a> , 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>UNHCR is in the process of reviewing and updating policies and practices regarding multi-year agreements in the light of the multi-year planning reforms that are under way as a part of the roll-out of the new results-based management system. Owing to the complexity of these areas, more discussions were planned for 2022. As a result of the consultations that have taken place thus 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. The multi-year agreements are being designed to take into account the limitations related to donor funding and the need to report related expenditures annually.</p> <p>As the implementation of this recommendation depends on the implementation of PROMS and other business transformation programmes (most notably Cloud ERP), which will continue until 2023, the target date for implementation of this recommendation has been revised to align with the implementation dates for the new systems.</p>	The Board acknowledges that UNHCR is working on policies and practices related to multi-year planning. The Board also notes that the implementation of this recommendation depends on the implementation of PROMS and other business transformation programmes. Therefore, the Board considers the recommendation as still being under implementation.		X		
72.	2019	<a href="#">A/75/5/Add.6</a> , 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	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 roll-out of the new results-based management system. New templates for all types of partnership	Work is still ongoing. The Board considers the recommendation as under implementation.		X		

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						Implemented	Under implementation	Not implemented
			updated instalment plans in a concise format.	agreements, including multi-year partnership agreements, need to be developed for the new Cloud ERP system that will be in place in the course of 2023. UNHCR is using that opportunity to create a clearer distinction between agreements to collaborate/partner over multiple years and the negotiated terms and conditions for the immediate financial year. The multi-year agreements will include provisions that provide clarity with respect to the process of negotiating the second and subsequent years of the collaboration and how to transition from one year to the next. Given the limited life remaining for the existing enterprise resource planning system (MSRP), UNHCR will not be investing significant time and resources in adjustments to the multi-year partnership agreement templates that are embedded in that system.				
73.	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. Currently, CashAssist is used in 40 countries, and, in an additional 20 countries, personnel have been trained and are in the process of implementing CashAssist in their daily cash-based intervention processes. 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. Significant action has also been taken to improve connectivity between financial service providers and CashAssist, as described in the response to the recommendation in paragraph 205 of the Board's report	The administrative instruction on the financial management of and related risks for cash-based interventions was issued. The Board considers the recommendation as implemented.		X	

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
				for the year ended 31 December 2020 (A/76/5/Add.6, chap. II), which has been assessed by the Board as implemented (see A/77/5/Add.6, chap. II, annex). The actions taken in response to the recommendations in paragraphs 203 and 205 of the Board's report for 2020 will also contribute to addressing this recommendation and enhancing the stability of the payment platform and reconciliation between CashAssist and financial service providers. UNHCR clarified the criteria and conditions on the use of CashAssist in the administrative instruction on the financial management of and related risks for cash-based interventions.				
74.	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.	UNHCR is developing an administrative instruction that will be more inclusive of other policy and procedural aspects related to the Population Registration and Identity Management EcoSystem (PRIMES). The guidance initially offered to operations in 2020 with regard to the decommissioning of proGres v3 (which addressed the recommendation in paragraph 342 of the Board's report for the year ended 31 December 2019 (A/75/5/Add.6)) will become a discrete component of this new instruction and will refer to the modalities by which bureaux and headquarters will need to confirm the decommissioning. Consultations are under way with the Records and Archives Section and regional bureaux to securely transfer backups for archiving prior to the decommissioning and ensure secure access to meet operational needs. This has extended the process for developing the	The administrative instruction has not yet been issued. The Board considers the recommendation as under implementation.			X

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				administrative instruction, which is expected to be ready by the end of 2023. Meanwhile, the Data Protection Office and the Norms and Standards Section in the Global Data Service have provided extensive comments on the draft administrative instruction, and work is under way to obtain the necessary notification of the decommissioning of proGres v3 instances from the country operations.					
75.	2018	<a href="#">A/74/5/Add.6</a> , 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 initially did not concur with the recommendation. After further discussions and analysis of IPSAS requirements as well as the applicable UNHCR financial rules, UNHCR addressed this recommendation by disclosing the departure from the requirements of IPSAS in the notes to the financial statements for 2022.	The Board considers the recommendation as overtaken by events.				X
76.	2018	<a href="#">A/74/5/Add.6</a> , chap. II, para. 343	The Board recommends that UNHCR establish mandatory information security standards in an ICT governance framework as soon as possible. Board's assessment (June 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.	The UNHCR policy on information security was finalized and officially issued on 28 February 2023. This established the UNHCR-wide minimum information security standards in an ICT governance framework, in line with the recommendation.	The Board considers the recommendation as implemented.	X			
77.	2018	<a href="#">A/74/5/Add.6</a> , chap. II, para. 365	The Board recommends that UNHCR strengthen the position of the Chief Information Security Officer and increase interaction with	The UNHCR policy on information security was finalized and officially issued on 28 February 2023. The policy fully addresses this recommendation by defining the role of the Chief	The Board considers the recommendation as implemented.	X			

Audit report No.	year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
			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.	Information Security Officer and establishing periodic reporting to the Senior Management Committee.						
<b>Total</b>						<b>77</b>	<b>31</b>	<b>41</b>	<b>–</b>	<b>5</b>
<b>Percentage</b>						<b>100</b>	<b>40</b>	<b>53</b>	<b>–</b>	<b>7</b>

## Chapter III

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

#### **Letter dated 31 March 2023 from the United Nations High Commissioner for Refugees and the Controller and Director of the Division of Financial and Administrative Management of the Office of the High Commissioner addressed to the Chair of the Board of Auditors**

The United Nations High Commissioner for Refugees is ultimately responsible for the content and integrity of the financial statements contained in the accounts of the voluntary funds administered by the High Commissioner.

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

In this context, the financial statements contained in chapter V, comprising statements I to V and the supporting notes, were prepared in accordance with the financial rules for voluntary funds administered by the High Commissioner ([A/AC.96/503/Rev.11](#)) and the International Public Sector Accounting Standards. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2022 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards.

The accounts are hereby approved and certified.

*(Signed)* Filippo **Grandi**

United Nations High Commissioner for Refugees

*(Signed)* Hans G. **Baritt**

Controller and Director

Division of Financial and Administrative Management

## Chapter IV

### Financial report for the year ended 31 December 2022

#### 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 2022, 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.11](#)).
2. The financial report provides financial information relating to the voluntary funds administered by the High Commissioner, in accordance with the International Public Sector Accounting Standards. The voluntary funds include the Annual Programme Fund, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan, the Working Capital 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. UNHCR also has responsibilities for stateless persons pursuant to various General Assembly resolutions and conventions. The Office also provides protection and assistance to internally displaced persons, working in cooperation with the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator and in the context of the collaborative response of the United Nations system. In all its activities, it pays particular attention to the needs of the most vulnerable and seeks to promote the equal rights of women and girls. UNHCR seeks to reduce situations of forced displacement by encouraging States and other institutions to create conditions that are conducive to the protection of human rights and the peaceful resolution of disputes. UNHCR works in partnership with governments, international and non-governmental organizations, other United Nations agencies and displaced people, as well as the private sector, international financial institutions and civil society, including think tanks, academia and faith leaders.
5. UNHCR estimates that in mid-2022 the overall figure for forcibly displaced people was 103 million. In 2022, UNHCR responded to 52 emergencies in 32 countries, with conflict being the biggest driver of forced displacement. UNHCR facilitated the deployment of security personnel to numerous emergency missions, notably in Afghanistan, Ethiopia, Iraq, Lebanon, the Republic of Moldova, Somalia, the Syrian Arab Republic and Ukraine. Against this backdrop, UNHCR provided protection to some 13 million displaced people, including more than 5 million children, as of June 2022. UNHCR also focused on providing basic services for vulnerable populations, such as health care, water, sanitation, shelter, distribution of core relief items, cash assistance and livelihood opportunities. UNHCR continued to monitor and advocate for the inclusion of forcibly displaced people in national protection systems.

6. UNHCR deepened its engagement with development partners, the private sector and financial institutions to strengthen livelihoods and inclusion and to create conditions for return in countries of origin. UNHCR also continued to contribute to the objectives of the 2030 Agenda for Sustainable Development. The Office's partnerships were aligned with its strategic directions<sup>65</sup> and designed to address protection priorities and foster inclusion and solutions. UNHCR led the development of seven regional refugee response plans covering the inter-agency response in 53 countries hosting refugees. UNHCR leveraged complementary expertise with agencies such as the World Food Programme, the United Nations Population Fund, the United Nations Human Settlements Programme (UN-Habitat), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the United Nations Children's Fund.

7. The Global Compact on Refugees (A/73/12 (Part II)) continued to provide the blueprint for burden- and responsibility-sharing when dealing with displacement issues. The year 2022 saw the revision and endorsement of the indicator framework for the Global Compact<sup>66</sup> with the support of the Organisation for Economic Co-operation and Development. In the lead-up to the Global Refugee Forum to be held in December 2023, UNHCR partnered with the Development Coordination Office and Office for the Coordination of Humanitarian Affairs to develop a United Nations common pledge that will reflect commitments from the United Nations country teams and global United Nations entities towards refugee inclusion. 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.

8. UNHCR continued to strengthen the Population Registration and Identity Management EcoSystem (PRIMES), a suite of interoperable registration, identity management and case management tools and applications. The number of individuals with records in PRIMES rose from 22 million in 2021 to 24.5 million in 2022. UNHCR launched a new evaluation policy for the period 2022–2027<sup>67</sup> and published on its public evaluation web page<sup>68</sup> its evaluation workplan, along with the reports on and management responses to recommendations stemming from previous evaluations.

9. Some 10 million displaced people in 100 countries benefited from cash assistance programmes, with 95 per cent of such programmes providing unrestricted cash. Eighty per cent of cash recipients received cash through digital means, including some 32 per cent through their personal bank or mobile money accounts, opening an important pathway to financial inclusion. UNHCR launched the new policy on cash-based interventions 2022–2026<sup>69</sup> and delivered cash in emergencies, such as in the Ukraine crisis, but also in the Democratic Republic of the Congo, Ethiopia, Pakistan and other challenging contexts. In 2022, UNHCR became accountable for cash coordination in refugee settings and for co-leading the Global Cash Advisory Group<sup>70</sup> with the Office for the Coordination of Humanitarian Affairs, overseeing the development of global standards for cash distribution.

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<sup>65</sup> Office of the United Nations High Commissioner for Refugees (UNHCR), "UNHCR strategic directions 2022–2026", 2022.

<sup>66</sup> UNHCR, *Global Compact on Refugees Indicator Framework*, 2nd ed. (Geneva, 2022).

<sup>67</sup> UNHCR, "Policy for evaluation in UNHCR: using evidence to drive results towards safeguarding the rights and well-being of people we serve", 2022.

<sup>68</sup> See [www.unhcr.org/evaluation-office.html](http://www.unhcr.org/evaluation-office.html).

<sup>69</sup> Available at [www.unhcr.org/protection/operations/61fbc91a4/unhcr-policy-cash-based-interventions-2022-2026.html](http://www.unhcr.org/protection/operations/61fbc91a4/unhcr-policy-cash-based-interventions-2022-2026.html).

<sup>70</sup> See <https://interagencystandingcommittee.org/global-cash-advisory-group>.

## C. Financial analysis

10. The financial position of UNHCR at year-end and the annual financial performance since 2018 are summarized in table IV.1.

Table IV.1

### Financial position and financial performance, 2018–2022

(Millions of United States dollars)

	2018	2019	2020	2021	2022
Total assets	3 305	3 376	4 004	4 594	5 340
Total liabilities	986	1 269	1 524	1 771	1 466
<b>Net assets</b>	<b>2 319</b>	<b>2 107</b>	<b>2 480</b>	<b>2 823</b>	<b>3 874</b>
Revenue	4 338	4 183	4 892	5 254	6 073
Expense <sup>a</sup>	4 083	4 258	4 337	4 790	5 484
<b>Surplus/deficit</b>	<b>256</b>	<b>(75)</b>	<b>554</b>	<b>464</b>	<b>588</b>

<sup>a</sup> Including foreign exchange gains/losses.

11. As at 31 December 2022, total fund balances and reserves amounted to \$3,873.7 million (see statement I), representing an increase of \$1,050.6 million, or 37.2 per cent, compared with the balance as at 31 December 2021. This increase was a result of the performance surplus of \$588.2 million (see statement II) and the gain arising from the actuarial valuation of employee benefit obligations of \$462.4 million (see statement III).

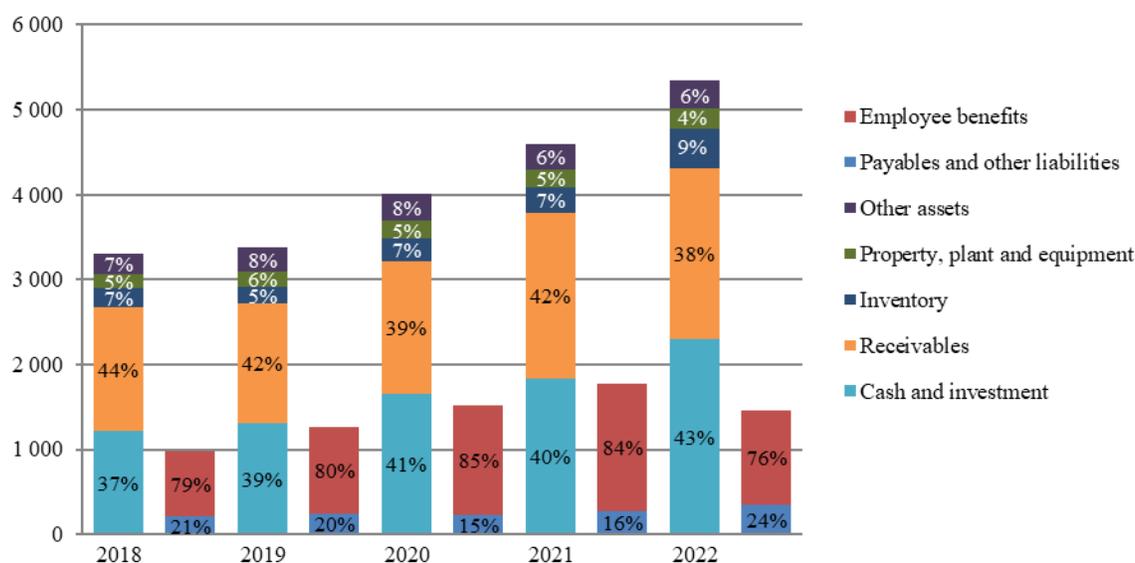
12. The fund balances and reserves comprise the accumulated fund balances and reserves (\$3,854.1 million), the Working Capital and Guarantee Fund (\$100.0 million), the Medical Insurance Plan (\$69.6 million), the Staff Benefits Fund (net deficit of \$351.2 million) and the Self-Financing Activities Fund (\$201.2 million).

13. The accumulated fund balances and reserves include, in addition to the balance of the Annual Programme Fund (\$3,792.7 million), the operational reserve (\$10.0 million), the United Nations Regular Budget Fund (\$42.2 million) and the Junior Professional Officers Fund (\$9.2 million), as detailed in note 3.11.

14. The composition by main category of the assets and liabilities of UNHCR as at the year-end for the years 2018 to 2022 is depicted in figure IV.I.

Figure IV.1  
**Assets and liabilities, 2018–2022**

(Millions of United States dollars)



15. As at 31 December 2022, financial instruments such as cash, investments and receivables accounted for 81 per cent of total assets. Employee benefit obligations accounted for 76 per cent of total liabilities, largely consisting of long-term obligations.

16. Table IV.2 provides some key financial ratios as at 31 December 2022 compared with those as at 31 December 2021.

Table IV.2  
**Key financial ratios as at 31 December**

	2022	2021
Current assets to current liabilities	8.35	8.01
Total assets to total liabilities	3.64	2.59
Cash and cash equivalents to current liabilities	3.07	2.68

17. The current ratio (current assets to current liabilities) is a liquidity ratio that reflects the ability of an entity to meet its current obligations within the following 12 months by using its assets that will materialize within the same time frame. At the end of 2022, the current ratio of UNHCR was 8.35, 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 \$1,036.8 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 (\$584.8 million, as reflected in table 3.14.2 in note 3.14).

18. As at 31 December 2022, the total amount of cash and short-term investments was \$2,307.4 million, an increase of \$468.6 million compared with \$1,838.9 million in 2021. 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 \$1,404.6 million (\$1,063.9 million in 2021). This covers approximately 3.1 months of operational needs on the basis of average monthly expenses in 2022.

19. Figure IV.II depicts the total amount of cash and short-term investments available for operational activities as well as the number of months of operational needs covered based on the average monthly expenses for the period from 2018 to 2022. The figure illustrates that, while the operational liquidity situation at year-end was slightly better when compared with the prior years, the timely receipt of contributions remains vital for the ability of UNHCR to operate smoothly.

Figure IV.II

**Total amount of cash and short-term investments for operational activities/months of operational needs covered, 2018–2022**

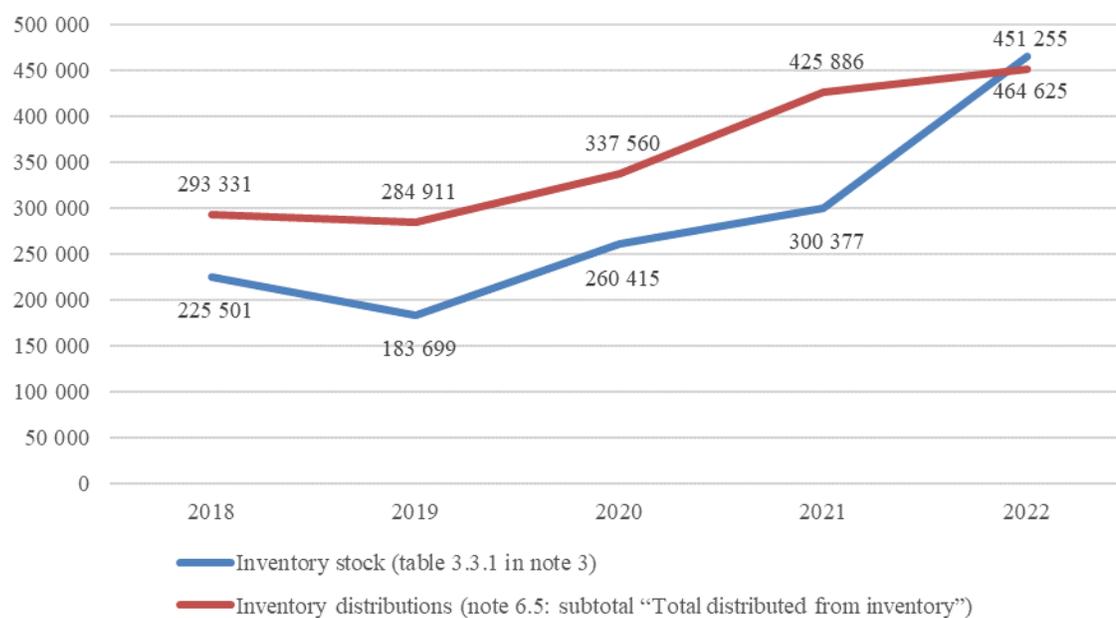
(Millions of United States dollars/number of months)



20. 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 \$451.3 million of inventory distributed in 2022, \$160.6 million (36 per cent) represents medical and hygienic supplies and apparel.

Figure IV.III  
**Inventory distribution and on stock at year-end, 2018–2022**

(Thousands of United States dollars)



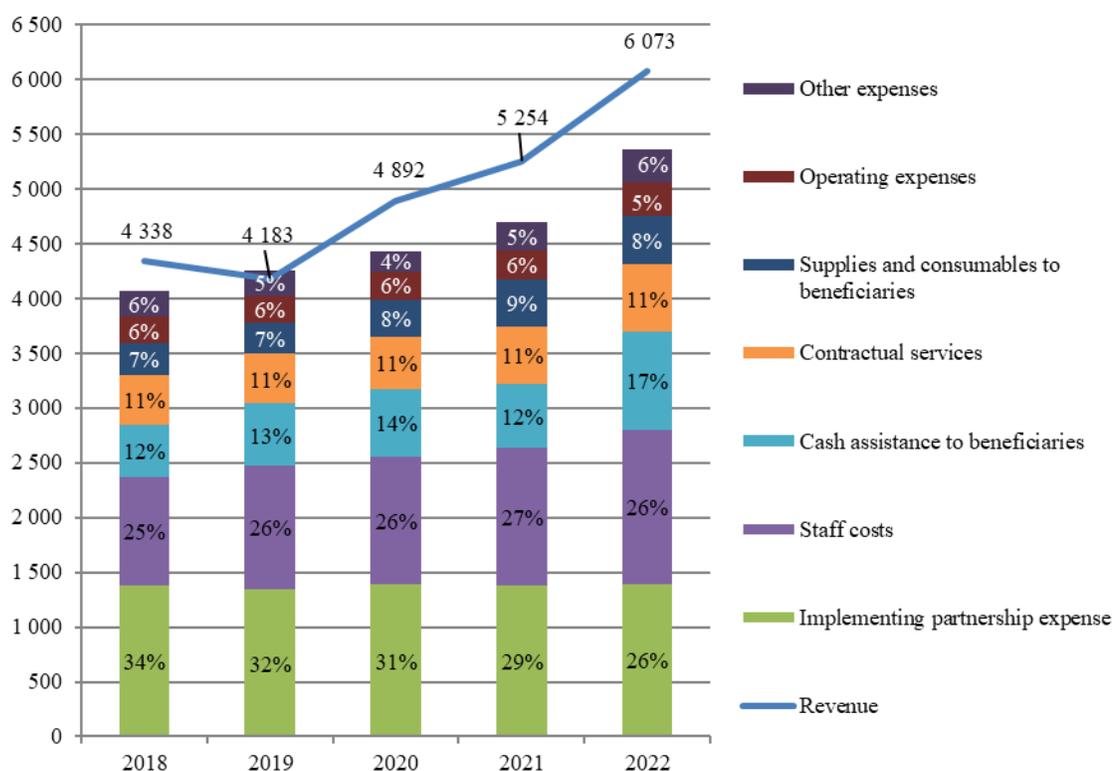
21. In terms of financial performance (see statement II), UNHCR ended the year with a surplus (revenue minus expenses, including foreign exchange gains/losses) of \$588.2 million, compared with a surplus of \$464.5 million at the end of 2021.

22. The change in the annual result of 2022 in comparison with 2021 was driven mainly by an increase in voluntary contributions revenue of \$744.2 million, offset by an increase in total expenses of only \$669.3 million. That increase in expenses is composed of increases for supplies and consumables for beneficiaries (\$20.4 million), salaries and employee benefits (\$150.6 million), contractual services (\$16.7 million) and equipment and supplies (\$21.7 million). The surplus was decreased by foreign exchange losses of \$122.7 million recorded in 2022, while foreign exchange losses of \$97.4 million were recorded in 2021.

23. Figure IV.IV depicts the revenue and expenses for the period from 2018 to 2022.

Figure IV.IV  
**Revenue and expenses, 2018–2022**

(Millions of United States dollars)



24. The total revenue for 2022 was \$6,072.6 million, an increase of \$818.4 million, or 16 per cent, compared with 2021. Voluntary contributions from donors, including in-kind contributions, amounted to \$5,931.4 million (accounting for 98 per cent of the total revenue), of which \$1,297.4 million (see table 5.1.2 in note 5.1) was intended for future years' activities (2023–2027).

25. The total expenses for the financial period amounted to \$5,361.7 million, an increase of 14.3 per cent compared with 2021 (\$4,692.4 million). Statement V presents the 2022 expenditure of \$5,607.1 million on a modified cash basis used for budgeting purposes. The reconciliation between the two bases is presented in note 7. Notable changes from 2021 in annual expenses reported in statement II for 2022 are explained in the paragraphs below.

26. Expenses pertaining to agreements signed with implementing partners, amounting to \$1,393.0 million, increased by 6 per cent compared with 2021 (\$1,310.0 million). Substantial increases occurred primarily in Ukraine, the Horn of Africa and Afghanistan. UNHCR continues its support to national partners as part of its commitment to support localization and to increase the resources entrusted to them.

27. Staff salaries and benefits, amounting to \$1,411.3 million, increased by 12 per cent compared with 2021 (\$1,260.7 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.

28. Cash assistance to beneficiaries represents support provided directly by UNHCR and excludes amounts distributed through partners, which are reported as part of implementing partnership expenses. The cash assistance managed directly by UNHCR, amounting to \$888.2 million, increased by 55 per cent compared with 2021 (\$573.2 million). The main increases related to the new emergency outbreaks in Ukraine (\$425 million) and Afghanistan (\$58.3 million). The increase related to Ukraine included increases in Ukraine (\$225.1 million), Poland (\$115.2 million), the Republic of Moldova (\$60.6 million), Romania (\$15.4 million) and Slovakia (\$8.7 million). The overall increase was offset by decreases from Greece (\$54.6 million) owing to the discontinuation of the cash programme after it was handed over to the Government, Yemen (\$38.7 million), and country operations affected by the situation in the Syrian Arab Republic, particularly Jordan (\$31.9 million), Iraq (\$27.2 million), Egypt (\$14.7 million) and Türkiye (\$14.2 million) owing to the overall funding decrease in 2022.

29. Expenses for contractual services, amounting to \$615.1 million, increased by 3 per cent compared with 2021 (\$598.4 million). Increases were observed in relation to professional services, data processing, construction contracts and transport, offset by small decreases in several other categories.

30. During the year 2022, higher interest rates prevailed in respect of the United States dollar than in recent years. The organization's investment management objective is to emphasize capital preservation and liquidity over the rate of return. Interest revenue of \$26.1 million (\$2.5 million in 2021) was generated during the year. The increase compared with 2021 is primarily attributable to higher average interest rates with regard to the United States dollar (see table 4.1 of note 4).

31. The statement of changes in net assets (statement III) shows the movements in the fund balances and reserves. The net assets balance as at 31 December 2022 amounted to \$3,873.7 million (\$2,823.1 million in 2021), including \$1,789.5 million of receivables intended for future-period activities (2023–2027), as shown in table 3.2.2 in note 3.2. Furthermore, UNHCR had legal commitments (open purchase orders) of \$550.6 million as at 31 December 2022 (see table 9.2 in note 9.2) for goods and services to be received in 2023 and subsequent years through 2026. Accordingly, some of the revenue recognized in 2022 and previous years will only be matched by expenses to be incurred during 2023 and subsequent years.

#### **D. Programme budget performance highlights**

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

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

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

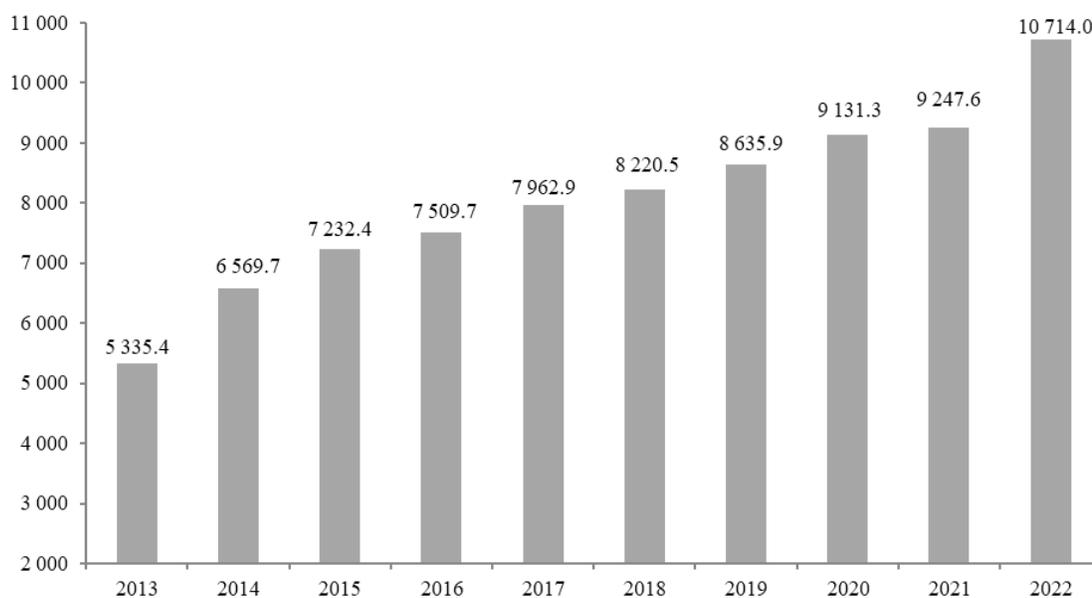
35. Subsequent to the approval of the budget by the Executive Committee, a global appeal is launched for fundraising purposes. The High Commissioner authorizes the

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 7.4 of the Office's financial rules ([A/AC.96/503/Rev.11](#)), to meet new or additional needs arising in the course of the same period.

36. The original budget for 2022 approved by the Executive Committee at its seventy-second session (October 2021) amounted to \$8,993.7 million. Four supplementary budgets were established during the course of 2022: \$1,417.8 million in support for the situation in Ukraine; \$233.9 million in response to the critical humanitarian needs of internally displaced persons relating to the situation in Afghanistan; \$59.6 million in response to the emergency in Cameroon and Chad, as part of the situation in Cameroon; and \$10.0 million in response to the monsoon floods under the situation in Pakistan. The total financial requirements for these supplementary budgets amounted to \$1,720.3 million. This led to a final budget of \$10,714.0 million.

Figure IV.V  
**Requirements, 2013–2022**

(Millions of United States dollars)



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

38. Table IV.3 shows the breakdown of the final budget (needs-based), funds available, expenditure and carry-over for programmed activities by impact area, as well as for the Junior Professional Officers Fund and the operational reserve. The difference between the final budget and the funds available represents the unfunded needs of people with and for whom UNHCR works. In 2022, unfunded needs amounted to \$4,533.7 million, or 42.3 per cent of total requirements.

Table IV.3  
**Total requirements, funds available and expenditure, 2022<sup>a</sup>**

(Millions of United States dollars unless otherwise indicated)

	<i>Final budget</i>	<i>Funds available<sup>b</sup></i>	<i>Expenditure</i>	<i>Carry-over</i>	<i>Percentage</i>	
					<i>Expenditure on final budget</i>	<i>Expenditure on funds available</i>
Impact area 1	2 031.0	1 338.9	1 216.1	122.8	59.9	90.8
Impact area 2	5 758.8	3 396.4	3 084.7	311.7	53.6	90.8
Impact area 3	1 430.8	879.9	798.8	81.1	55.8	90.8
Impact area 4	1 053.9	552.2	499.8	52.4	47.4	90.5
<b>Subtotal, programmed activities</b>	<b>10 274.5</b>	<b>6 167.4</b>	<b>5 599.4</b>	<b>568.0</b>	<b>54.5</b>	<b>90.8</b>
Junior Professional Officers Fund <sup>c</sup>	12.0	12.9	7.7	5.2	64.2	59.8
Operational reserve	427.5	–	–	–	–	–
<b>Total</b>	<b>10 714.0</b>	<b>6 180.3</b>	<b>5 607.1</b>	<b>573.2</b>	<b>52.3</b>	<b>90.7</b>

<sup>a</sup> Totals in the table may not add up owing to rounding.

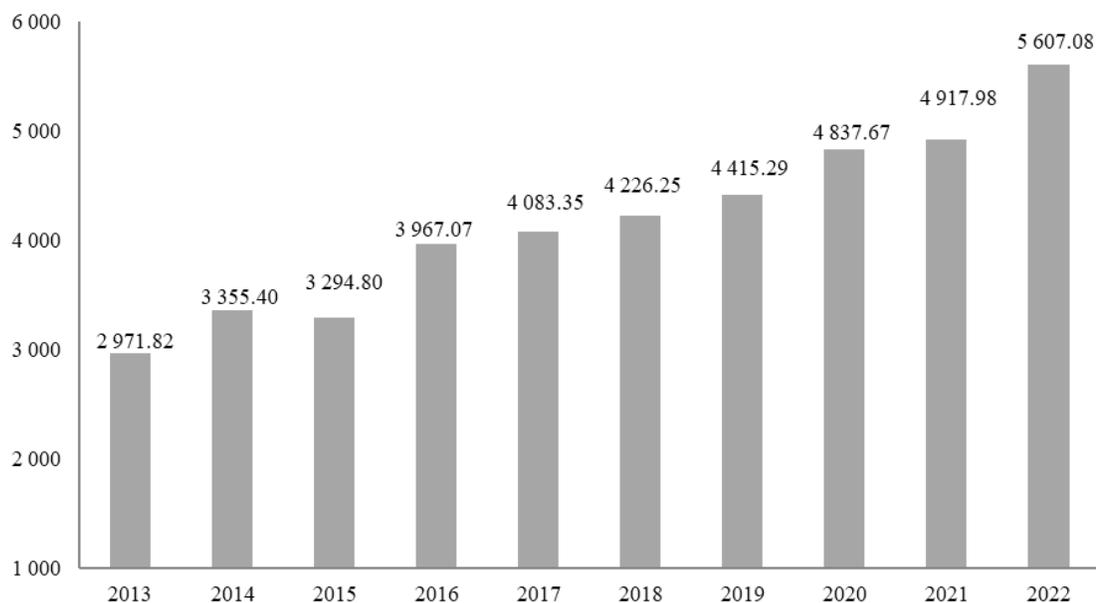
<sup>b</sup> The distribution of funds available by impact area is indicative, as not all resources available are earmarked for specific impact areas.

<sup>c</sup> The higher figure of funds available compared to the final budget is due mainly to the timing of the receipt of contributions from donors.

39. The expenditure amount of \$5,607.1 million in 2022 represents an increase of \$689.1 million, or 14 per cent, compared with the 2021 expenditure (\$4,918.0 million). Figure IV.VI illustrates annual expenditure over the period from 2013 to 2022.

Figure IV.VI  
**Expenditure, 2013–2022**

(Millions of United States dollars)



40. Table IV.4 shows 2022 expenditure, broken down in terms of programme, programme support, management and administration costs and the Junior Professional Officers Programme, with comparative figures for 2021.

Table IV.4

**Expenditure by programme, programme support, management and administration and Junior Professional Officers Programme, 2021 and 2022<sup>a</sup>**

(Millions of United States dollars)

	2022		2021	
	Amount	Percentage	Amount	Percentage
Programme	4 548.9	81.1	3 957.2	80.5
Programme support	856.9	15.3	755.9	15.4
Management and administration	193.5	3.5	196.5	4.0
Junior Professional Officers Programme	7.7	0.1	8.4	0.2
<b>Total expenditure</b>	<b>5 607.1</b>	<b>100.0</b>	<b>4 918.0</b>	<b>100.0</b>

<sup>a</sup> Totals in the table may not add up owing to rounding.

41. The evolution of the expenditure for the programmed activities under the three budget components, namely, programme, programme support and management and administration costs (excluding the Junior Professional Officers Programme), is presented in figures IV.VII and IV.VIII for the period from 2013 to 2022 in values and percentages, respectively. The increases in the programme and programme support categories are related to the expansion of activities in country and regional programmes, owing particularly to new and protracted crises in 2022. The decrease in the management and administration category is due to interdivisional transfers between headquarters and global programmes.

Figure IV.VII

**Evolution of expenditure, 2013–2022, by cost category**

(Millions of United States dollars)

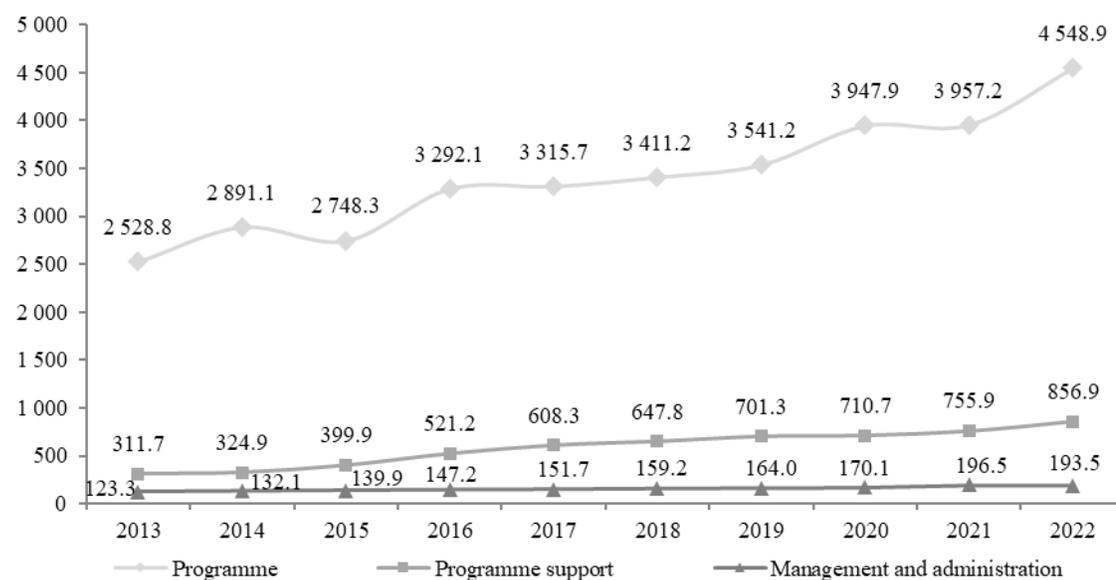
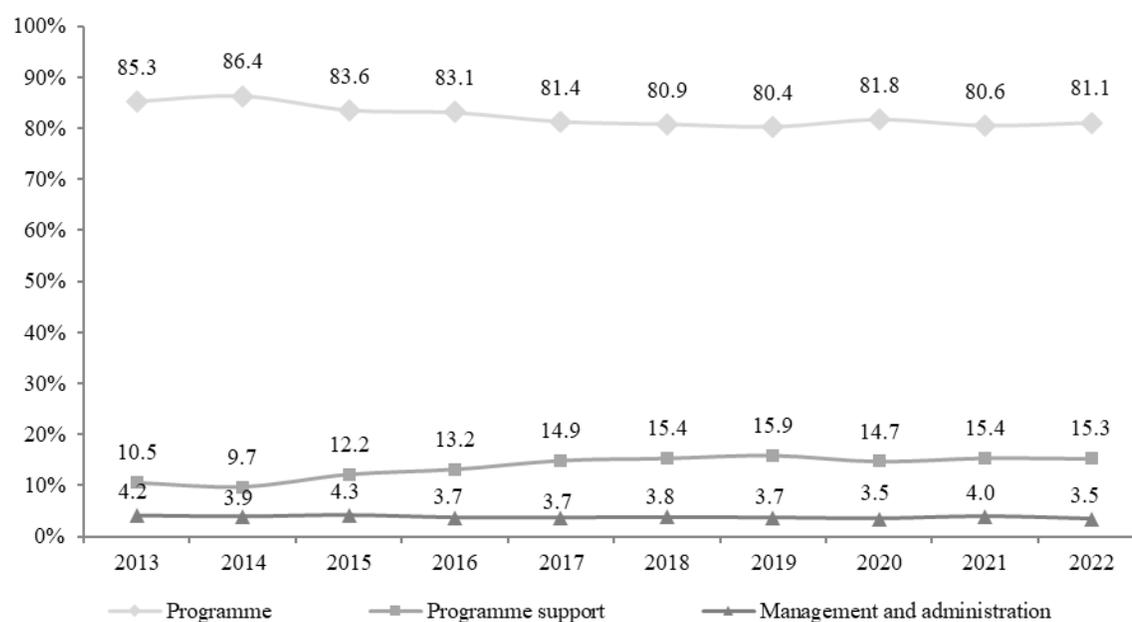


Figure IV.VIII  
**Evolution of expenditure, 2013–2022, by cost category**

(Percentage)



## E. Going concern

42. The consequences of any potential reductions, delays in receipt or defaults in payments of contributions, in particular within the current context of the global economic and financial situation, have been evaluated by the management of UNHCR. As at the date of preparation of the present report, 31 March 2023, the management considers that the organization has adequate resources to continue its operations as planned in the medium term. This assertion is based on the approval by the Executive Committee of the budget requirements for 2023 and the historical trend of the collection of pledges in recent years. Therefore, UNHCR has adopted the going-concern basis in the preparation of its financial statements.

## F. Internal control system

43. In accordance with UNHCR financial rule 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 the High Commissioner; 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.

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

system through adherence to requirements emanating from the Financial Regulations and Rules and the Staff Regulations and Rules of the United Nations or from UNHCR internal legislation in the form of policies, administrative instructions and procedures.

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

#### **Office of Internal Oversight Services**

46. The Office of Internal Oversight Services (OIOS) 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 2022, OIOS issued 23 reports: 17 audits of field operations, 2 audits of headquarters activities and 4 advisories. The headquarters audits included the cloud arrangements at UNHCR and procurement undertaken by partners using UNHCR funds. The advisories included the functioning and effectiveness of the enterprise risk management process, the data protection and privacy arrangements, the implementation of the Global Compact on Refugees and a limited scope review of the auction of the UNHCR vehicle fleet.

#### **Independent audit of projects implemented by partners**

47. UNHCR carries out a high percentage of its activities through implementing partners. In 2022, UNHCR continued to collaborate with more than 1,200 partners in conducting its operations. The audit of projects implemented by partners is an important management tool for field offices and headquarters, as it assists the organization in obtaining:

- (a) Reasonable assurance that the final report submitted by the partner is free from material misstatement and in accordance with the terms of the project partnership agreement;
- (b) A review of the partner's compliance with the partnership agreement;
- (c) An assessment of the partner's internal controls and financial management practices.

48. UNHCR applies a risk-based audit approach in relation to the projects implemented by partners. The methodology of selection of projects is based on a risk assessment of the project and the implementing partner organization. Audit services have been centrally procured, and global, independent and reputable audit service providers have been selected by UNHCR. The Office increased the number of external audit firms with which it has frame agreements from four to eight. By increasing the number of audit firms with a broader geographic footprint, UNHCR increased access to auditors with an established presence in the countries where audits are carried out. The change offered more opportunities for increased competitive selection of audit services, an efficient process of project audit certification and improved opportunities for the high-quality and timely delivery of reports. The quality of audit work delivered as part of this arrangement is monitored and assessed

during the year against key performance indicators and mutually agreed terms of reference.

### **Independent Audit and Oversight Committee**

49. The Independent Audit and Oversight Committee assists the High Commissioner and the Executive Committee in exercising their oversight responsibilities, in accordance with relevant best practice, industry standards and the financial and staff regulations and rules applicable to UNHCR. In 2022, the Committee held three sessions, during which it discussed and made observations on the organization's oversight and integrity structures, its transformation agenda, and decentralization and regionalization. The Committee also reviewed workplans and reports from internal and external audit, investigation, evaluation and strategic oversight functions. The Committee commented on enterprise risk management, financial management and human resources management. The Committee communicated its concluding observations following each session and presented its annual report to the Standing Committee in September 2022.

### **Inspector General's Office**

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

### **Other tools and mechanisms**

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

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

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

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

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

52. Following its first launch in 2019, the fourth statement of internal control of UNHCR, for 2022, is issued as set out below.

## Statement of internal control, 2022

### Scope of responsibility

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

### Purpose of internal controls

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

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

This is the fourth statement of internal control of UNHCR, covering the financial reporting period from 1 January to 31 December 2022, up to the date of my approval of the organization's 2022 financial statements.

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

Following a process of regionalization and decentralization rolled out in 2020, the organizational architecture in place for 2022 has strengthened country offices and allowed for increased support from capacitated regional bureaux and divisions. Updated roles, accountabilities and authorities frameworks for country offices, regional bureaux and headquarters divisions were issued in November 2022 to support this structure on

the basis of the experience to date. Those frameworks, together with policies and administrative instructions, make up the UNHCR accountability framework and support decision-making at the key levels of the organization. The updated roles, accountabilities and authorities frameworks include new content in key areas of work, including emergency preparedness, climate action, response to the needs of internally displaced persons, protection from sexual exploitation and abuse and sexual harassment, security management, communication, resource mobilization, data management, evaluation, internal controls, risk management and oversight.

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

Regional 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.

Headquarters divisions play an essential role in overseeing the global implementation of risk management and internal controls. Divisions ensure, in close collaboration with the regional 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 (OIOS), the Inspector General's Office and the Evaluation Service.

## **The UNHCR operating environment**

In delivering on its primary purpose to safeguard the rights and well-being of forcibly displaced and stateless people, UNHCR operates in approximately 135 countries and territories in sometimes complex, challenging and unpredictable environments. Consequently, UNHCR is exposed to situations with a high level of inherent risk, including in terms of the security of its personnel and displaced and stateless people. All significant identified risks are captured in formal risk registers, which are subject to regular review by senior managers. Forced displacement reached the historic but regrettable milestone of over 100 million people in 2022. UNHCR responded to high-risk and complex emergencies in 32 countries, where it was faced with 52 internal emergency declarations, of which 35 were newly declared in 2022.

Against this backdrop, UNHCR focused on providing basic services for vulnerable populations, such as health care, water, sanitation, shelter, distribution of core relief items, cash assistance and livelihood opportunities. UNHCR continued to monitor and advocate for the inclusion of forcibly displaced people in national protection systems. UNHCR addressed such challenges by swiftly identifying needs, reprioritizing and reallocating resources and introducing measures to increase flexibility 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 and identify opportunities.

UNHCR has made steady progress in building a stronger risk management culture across the organization and is implementing a five-year strategy for risk management with the aim of bringing the organization's risk maturity from an established level to an advanced level by the end of 2025. An independent advisory by OIOS on the functioning and effectiveness of risk management in UNHCR, finalized in November 2022, found that progress had been made in all areas of risk management since the previous external benchmarking exercise, conducted in 2019. The advisory report contained a number of suggestions to further enhance risk maturity in UNHCR, including the development of risk appetite statements and proposals to further embed risk management in existing processes. These actions are currently being worked on.

## **Key findings of risk reviews in 2022**

The Strategic Risk Register was refreshed in 2022 and finalized in early 2023. A total of 13 strategic risks were captured and, for the first time, key risk and control indicators with target appetite levels were introduced for each strategic risk. This has allowed UNHCR to better assess whether its mitigation actions are bringing the risks to acceptable levels and to lay the groundwork for more detailed discussions on risk appetite. Strategic risks related to exercising the mandate of UNHCR in a polarized global environment, emergency preparedness and response, funding, organizational change, and cybersecurity were assessed as increasing in 2022. The strategic risk on the impact of global disruptions, such as the coronavirus disease (COVID-19) pandemic, was removed from the Strategic Risk Register in the light of the organization's demonstrated agility and resilience in response to significant external shocks. However, elements of this risk and further planned mitigations remain tracked in the operational risk registers.

Risks related to the core protection activities of UNHCR continued to remain a major risk area in 2022. An emerging theme was the increased focus on socioeconomic difficulties placing greater pressures on maintaining protection space. Encouragingly, the protection environment also remains the area where the most opportunities were identified, often in relation to the Global Compact on Refugees and possibilities for the inclusion of refugees into national systems and programmes. Emergency preparedness and response remains the second most significant risk area. Addressing these risks and opportunities has been a priority for UNHCR throughout 2022 at all three levels of the organization.

Special attention has been paid throughout 2022 to prevention of fraud, diversion of aid and other integrity risks, including risks of sexual exploitation and abuse. Efforts to prevent these risks from materializing focused on adapting and enhancing business processes and their controls, reinforcing training and awareness-raising, and strengthening community engagement and feedback and monitoring mechanisms.

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

## **Review of the effectiveness of internal controls**

As the United Nations High Commissioner for Refugees, I am responsible for reviewing the effectiveness of the system of internal controls of the organization. My review is informed by 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 the UNHCR system of internal controls is based on the following mechanisms, as well as other evidence as available and appropriate:

(a) The annual certification statements, together with the internal control self-assessment questionnaires, as completed and submitted by all UNHCR representatives, directors of the regional bureaux and administrative support divisions. The questionnaire was used by each entity to review and rate its compliance with key controls in various areas, including organizational governance and management aspects and operational, administrative and support areas, as well as in emergency preparedness and organizational resilience. The offices were requested to identify and comment on the areas in which they are not fully compliant and indicate actions they are taking to strengthen controls in those areas. With the certification statements, they confirmed their responsibility and accountability for having put in place and maintained adequate internal controls in their respective areas on a day-to-day basis. Taking into consideration the evolving operational circumstances, some of the questions included in the questionnaire were reviewed to capture particularities of the 2022 annual reporting cycle;

(b) The reports issued by OIOS following the audits conducted under the 2022 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;<sup>71</sup>

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

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

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

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<sup>71</sup> See <https://oios.un.org/audit-reports>.

## Internal control issues arising during 2022

On the basis of the self-assessment questionnaire, most representatives and directors provided assurance on the efficacy of the UNHCR internal controls for the year ended 31 December 2022, which is in line with a well-established and functioning internal control system. Through the mechanisms described above, it was noted that several internal control matters already identified in prior years continued to persist in 2022, in addition to newly flagged aspects, affecting the robustness of the control environment of UNHCR. The following is a summary of such identified matters and the progress made in addressing them:

(a) **Challenges related to procurement planning still persist.** Emphasis continues to be placed by UNHCR on reinforcing procurement planning in the country operations and regional bureaux. A revised administrative instruction on procurement was issued during the year following a review of the main procurement challenges and their root causes in order to simplify and improve the efficiency of procurement processes. Following the instruction, all operations and regional bureaux will address their procurement needs in relevant consolidated procurement plans. This is facilitated by standard procurement planning templates and a clear assignment of responsibilities for procurement planning across functions and geographical segments;

(b) **There continues to be a need to strengthen systematic capacity and performance monitoring of partners entrusted with procurement or managing the inventory of UNHCR.** While in 2021 UNHCR introduced enhanced templates for the assessment of partners' capacity to conduct procurement as well as a procedure to analyse, on a quarterly basis, the partnership-related budgets, including the figures related to procurement activities, it was observed that decisions to delegate procurement to funded partners were not always informed by comparative assessments. Under the business transformation programme, the Project Reporting, Oversight and Monitoring Solution (PROMS) will streamline project design, monitoring, reporting and oversight. Together with a revised procedure on partnership management and the revised programme handbook, the launch of PROMS is expected to improve the management of partnerships by UNHCR. The complexity of partnership design and negotiation – including financial plans – and different forms of monitoring and reporting during and at the end of projects will be streamlined, enabling more timely documentation. UNHCR expects to realize the full benefit of these reforms in 2024;

(c) **Programme monitoring needs to be further enhanced, including through improved guidance and strengthened user-friendliness, functionalities and operational capabilities of the COMPASS tool.** Efforts to strengthen programme monitoring will continue, including through the renewed approach of UNHCR to implementing results-based management with the COMPASS approach, which guides staff to systematically demonstrate progress towards impacts, outcomes and outputs. A business intelligence tool with more advanced reporting capabilities (Power BI) now accompanies COMPASS, which allows both global and detailed COMPASS data analysis and the creation of custom connected reports for specific needs, including progress on indicators;

(d) **Maintenance of vehicles master data management needs to be further optimized to provide more reliable information for fleet management.** Efforts will be pursued for a consistent and timely recording of fuel and vehicle maintenance and repair costs in FleetWave for all UNHCR vehicles to enable more accurate reporting at the office, country operation, regional bureau and organizational level. Furthermore, focus is placed on obtaining more accurate data generated by the satellite vehicle tracking system installed in UNHCR vehicles, which will allow a better analysis of the vehicle utilization rate and thus achieve optimization of the UNHCR fleet size;

(e) **There is a need to pursue increased adherence to the policy of the continuous monitoring and analysis of emergency risks and preparedness, as well as business continuity planning.** Effective and efficient emergency preparedness and response is a corporate priority of UNHCR. Initially planned for 2022, at the beginning of 2023 a new policy on emergency preparedness and response was issued. The new policy is the result of extensive work and consultations, considering findings and recommendations arising from the recent experiences of UNHCR in addressing new global challenges and increased forced displacement. Among other things, the policy reinforces the requirements for country operations to undertake emergency risk analysis for new or escalated emergencies at least once a year and constantly monitor the identified risks. The risk analysis for emergencies is now integrated into the regular risk review process in line with the UNHCR policy for enterprise risk management. Business continuity planning is a core element of the organizational resilience management system and part of the emergency preparedness process;

(f) **There is a need for operations to further apply the human resources tools, particularly in respect of workforce planning and staffing indicators.** UNHCR is committed to establishing an overarching strategy for workforce planning to enable the organization to continue attracting, developing and retaining the people it needs, at the right place and at the right time, to effectively deliver on its mandate. The “misalignment between current skill set of personnel and future requirements to meet the challenges UNHCR is facing” is one of the strategic risks of UNHCR. Since 2021, UNHCR has incorporated a workforce planning approach and a number of tools into its planning instructions to facilitate the analysis and forecasting of talent needs across the organization. During 2022, work focused on building the capacity of human resources personnel in implementing the strategic workforce planning approach and the use of data and insights to inform workforce planning decisions and the development of human resources action plans. Some divisions, operations and regional bureaux have begun to identify their current and projected gaps in terms of skills, workforce numbers, location and occupations, among other things, and have initiated human resources action plans. Going forward, in 2023 UNHCR will issue a workforce planning handbook and a human resources action plan toolkit, will continue to provide training on human resources in operations and bureaux, and will mainstream the workforce planning approach into the UNHCR programme handbook and its global programme repository. UNHCR will also explore ways to develop a strategic workforce planning tool for UNHCR in Workday, the organization’s new, cloud-based, all-in-one human resources platform.

As the numbers of displaced and stateless people have reached historic highs, UNHCR continues to use transformation as a strategy to meet the expanding operational and accountability expectations of an agile, efficient and innovative organization. As UNHCR undergoes an extensive organizational transformation of the way it does business (including by adjusting, updating and changing its processes and tools), it is adopting several new, cloud-based systems aimed at improving its ability to protect, empower and secure solutions for refugees, internally displaced persons and stateless people. The business transformation programme covers six projects tasked with transforming how UNHCR delivers, by leveraging leading 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 Office will continue to refine elements of its organizational transformation to enhance its effectiveness in responding to humanitarian crises. Furthermore, with the implementation of Cloud ERP, UNHCR plans to continue identifying performance indicators calculated on the basis of data recorded in the system that can be relevant in assessing more objectively the functioning of various controls. Such indicators

could complement the information collected through the self-certified internal control questionnaire as part of the process to prepare the statement of internal control.

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

## Statement

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

Based on the above, I conclude that, to the best of my knowledge and information, UNHCR operated under an effective system of internal controls and there were no material weaknesses to report for the year 2022 and up to the date of the approval of the organization's financial statements.

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

28 April 2023

## Chapter V

### Financial statements for the year ended 31 December 2022

#### United Nations High Commissioner for Refugees

#### I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	Note 3.1	1 592 447	1 183 891
Investments	Note 3.1	715 000	655 000
Contributions receivable	Note 3.2	1 257 631	1 133 262
Inventories	Note 3.3	464 625	300 376
Other current assets	Note 3.4	298 897	264 571
<b>Total current assets</b>		<b>4 328 601</b>	<b>3 537 100</b>
<b>Non-current assets</b>			
Contributions receivable	Note 3.2	752 760	814 170
Property, plant and equipment	Note 3.5	234 248	213 926
Intangible assets	Note 3.6	24 096	28 457
<b>Total non-current assets</b>		<b>1 011 104</b>	<b>1 056 553</b>
<b>Total assets</b>		<b>5 339 704</b>	<b>4 593 653</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accruals	Note 3.7	328 401	258 746
Employee benefits	Note 3.8	173 574	160 219
Other current liabilities	Note 3.9	10 702	17 044
Provisions	Note 3.10	5 526	5 638
<b>Total current liabilities</b>		<b>518 202</b>	<b>441 646</b>
<b>Non-current liabilities</b>			
Employee benefits	Note 3.8	947 720	1 328 789
Provisions	Note 3.10	94	94
<b>Total non-current liabilities</b>		<b>947 814</b>	<b>1 328 883</b>
<b>Total liabilities</b>		<b>1 466 015</b>	<b>1 770 529</b>
<b>Net assets</b>		<b>3 873 689</b>	<b>2 823 124</b>
<b>Fund balances and reserves</b>			
Accumulated fund balances and reserves	Note 3.11	3 854 100	3 357 443
Working Capital and Guarantee Fund	Note 3.12	100 000	100 000
Medical Insurance Plan	Note 3.13	69 581	60 673
Staff Benefits Fund	Note 3.14	(351 238)	(850 784)
Self-Financing Activities Fund	Note 3.15	201 246	155 792
<b>Total fund balances and reserves</b>		<b>3 873 689</b>	<b>2 823 124</b>

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 2022**

(Thousands of United States dollars)

	<i>Reference</i>	<i>2022</i>	<i>2021 (reclassified)</i>
<b>Revenue</b>			
Voluntary contributions	Note 5.1	5 931 369	5 187 214
United Nations regular budget	Note 5.2	84 378	43 177
Interest revenue	Note 5.3	26 060	2 476
Other revenue	Note 5.4	30 750	21 339
<b>Total revenue</b>		<b>6 072 558</b>	<b>5 254 206</b>
<b>Expenses</b>			
Implementing partnership expenses	Note 6.1	1 393 025	1 310 037
Salaries and employee benefits	Note 6.2	1 411 292	1 260 716
Cash assistance to beneficiaries	Note 6.3	888 168	573 186
Contractual services	Note 6.4	615 075	598 392
Supplies and consumables for beneficiaries	Note 6.5	449 974	429 545
Operating expense	Note 6.6	294 335	269 498
Equipment and supplies	Note 6.7	153 784	132 045
Travel expense	Note 6.8	77 937	42 112
Depreciation, amortization and impairment	Note 6.9	47 204	53 586
Other expenses	Note 6.10	30 896	23 234
<b>Total expenses</b>		<b>5 361 689</b>	<b>4 692 352</b>
Foreign exchange (gains)/losses	Note 6.11	122 712	97 386
<b>Surplus for the year</b>		<b>588 157</b>	<b>464 468</b>

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 2022

(Thousands of United States dollars)

	<i>Reference</i>	<i>Accumulated fund balances and reserves</i>	<i>Working Capital and Guarantee Fund</i>	<i>Medical Insurance Plan</i>	<i>Staff Benefits Fund</i>	<i>Self- Financing Activities Fund</i>	<i>Total</i>
<b>Net assets at 1 January 2021</b>		<b>3 082 073</b>	<b>100 000</b>	<b>53 929</b>	<b>(756 153)</b>	<b>–</b>	<b>2 479 849</b>
<b>Movements in fund balances and reserves in 2021</b>							
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14, 3.15	595 594	(101 532)	6 744	(69 199)	32 861	464 468
Gain/loss on actuarial valuations of post-employment benefits	Note 3.8	–	–	–	(121 193)	–	(121 193)
Transfers	Notes 3.8, 3.11, 3.12, 3.14	(320 224)	101 532	–	95 762	122 931	–
<b>Total movements during 2021</b>		<b>275 370</b>	<b>–</b>	<b>6 744</b>	<b>(94 631)</b>	<b>155 792</b>	<b>343 275</b>
<b>Total net assets at 31 December 2021</b>		<b>3 357 443</b>	<b>100 000</b>	<b>60 673</b>	<b>(850 784)</b>	<b>155 792</b>	<b>2 823 124</b>
<b>Movements in fund balances and reserves in 2022</b>							
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14, 3.15	731 213	(115 408)	8 908	(77 942)	41 386	588 157
Gain/(loss) on after-service health insurance actuarial valuation	Notes 3.8, 3.14	–	–	–	462 408	–	462 408
Transfers	Notes 3.8, 3.11, 3.12, 3.14	(234 556)	115 408	–	115 080	4 069	–
<b>Total movements during 2022</b>		<b>496 657</b>	<b>–</b>	<b>8 908</b>	<b>499 546</b>	<b>45 454</b>	<b>1 050 565</b>
<b>Total net assets at 31 December 2022</b>		<b>3 854 100</b>	<b>100 000</b>	<b>69 581</b>	<b>(351 238)</b>	<b>201 246</b>	<b>3 873 689</b>

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 2022**

(Thousands of United States dollars)

	<i>Reference</i>	<i>2022</i>	<i>2021</i>
<b>Cash flows from operating activities:</b>			
<b>Surplus for the period</b>		<b>588 157</b>	<b>464 468</b>
<b>Adjustment for:</b>			
Depreciation, amortization and impairment	Notes 3.5, 3.6	47 204	53 586
Foreign exchange (gains)/losses on cash and cash equivalents		36 926	26 797
Revenue from in-kind contributions of property, plant and equipment, and intangibles		(1 971)	(133)
(Gain)/loss on disposal of property, plant and equipment, and intangibles		(3 279)	2 692
Changes in:			
(Increase)/decrease in contributions receivable	Note 3.2	(62 958)	(384 477)
(Increase)/decrease in inventories	Note 3.3	(164 249)	(39 962)
(Increase)/decrease in other assets	Note 3.4	(34 326)	5 321
Increase/(decrease) in accounts payable and accruals	Note 3.7	69 655	38 257
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss	Note 3.8	94 694	77 628
Increase/(decrease) in provisions	Note 3.10	(112)	152
Increase/(decrease) in other liabilities	Note 3.9	(6 342)	8 890
<b>Net cash flows from operating activities</b>		<b>563 399</b>	<b>253 219</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	Note 3.5	(68 948)	(52 648)
Purchase of intangible assets	Note 3.6	(4 716)	(1 845)
Proceeds from sale of assets	Note 5.4	15 747	7 707
Purchase of short-term investments		(1 405 000)	(1 316 000)
Maturities and sale of short-term investments		1 345 000	1 195 000
<b>Net cash flows from investing activities</b>		<b>(117 917)</b>	<b>(167 786)</b>
<b>Cash flows from financing activities:</b>			
<b>Net cash flows from financing activities</b>		<b>–</b>	<b>–</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>445 482</b>	<b>85 433</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(36 926)</b>	<b>(26 797)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>1 183 891</b>	<b>1 125 255</b>
<b>Cash and cash equivalents at end of the year</b>		<b>1 592 447</b>	<b>1 183 891</b>

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 2022<sup>a</sup>

(Thousands of United States dollars)

	Approved programme budget amount		Actual on comparable basis	Variances: final budget and actual amounts
	Reference	Original <sup>b</sup>		
<b>Available funds<sup>d</sup></b>			<b>6 180 279</b>	
<b>Field operations</b>				
West and Central Africa		824 260	884 066	432 313 451 754
East Africa, Horn of Africa and Great Lakes Region		1 880 186	1 880 186	947 405 932 780
Southern Africa		436 508	436 508	213 903 222 606
Middle East and North Africa		2 432 453	2 432 670	1 153 664 1 279 007
Asia and the Pacific		848 124	1 091 604	702 124 389 480
Europe		591 261	1 991 070	1 106 810 884 260
Americas		779 374	779 583	363 744 415 840
<b>Total field operations</b>		<b>7 792 167</b>	<b>9 495 687</b>	<b>4 919 962 4 575 725</b>
Global programmes		520 803	531 549	441 134 90 415
Headquarters		241 038	247 264	238 283 8 981
Operational reserve and new or additional activities – mandate-related reserve		427 700	427 502	– 427 502
Junior Professional Officers Fund		12 000	12 000	7 704 4 296
<b>Total</b>	<b>Note 7</b>	<b>8 993 708</b>	<b>10 714 003</b>	<b>5 607 083 5 106 919</b>
<b>Balance of available funds<sup>d</sup></b>	<b>Note 7</b>			<b>573 196</b>

<sup>a</sup> 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).

<sup>b</sup> The programme budget for 2022 of \$8,993.7 million was approved by the Executive Committee of the Programme of the High Commissioner at its seventy-second session (4–8 October 2021), as contained in [A/76/12/Add.1](#), paragraph 13.

<sup>c</sup> The final budget figure represents the sum of the approved original programme budget of \$8,993.7 million and the final supplementary budgets of \$1,720.3 million established by the High Commissioner in 2022 in accordance with article 7.5 of the UNHCR financial rules ([A/AC.96/503/Rev.11](#)).

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

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

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

**United Nations High Commissioner for Refugees**  
**Notes to the 2022 financial statements**

**Note 1**

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

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

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

3. UNHCR has been mandated by the General Assembly to provide international protection to refugees and to find solutions to their plight. While States bear the primary responsibility for protecting refugees on their territory, UNHCR was established to ensure protection on behalf of the United Nations and to promote accessions to and supervise the application of the 1951 Convention relating to the Status of Refugees and the 1967 Protocol thereto. Through successive resolutions, the Assembly has recognized additional categories of displaced people, including refugees who have returned to their country of origin (returnees), stateless persons and, in certain circumstances, internally displaced persons. It has also authorized the Office to undertake a wider array of activities, such as the provision of humanitarian assistance and support for reintegration, as necessary, to fulfil the mandate of international protection and solutions. The UNHCR mandate on statelessness was further consolidated upon the entry into force of the 1961 Convention on the Reduction of Statelessness in 1975. In 2003, the Assembly decided to remove the temporal limitation on the continuation of the Office and to continue the Office until the refugee problem is solved (Assembly resolution [58/153](#)).

4. The High Commissioner reports annually to the General Assembly through the Economic and Social Council. The Executive Committee of the Programme of the High Commissioner was established pursuant to Assembly resolution [1166 \(XII\)](#) to provide advice to the High Commissioner in the exercise of his or her functions and to approve the use of voluntary funds made available to the High Commissioner. The annual cycle of meetings of the Executive Committee consists of one plenary session and several intersessional meetings of its subsidiary body, the Standing Committee. As at 31 December 2022, 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 2022, UNHCR had a presence in 135 countries and/or territories, where its core work was managed through regional bureaux, country or multi-country offices, sub-offices and field offices in the following seven regions: West and Central Africa; East Africa, Horn of Africa and Great Lakes; Southern Africa; Middle East

and North Africa; Asia and the Pacific; Europe; and the Americas. Global programmes are managed by a number of divisions at headquarters.

## Note 2

### Accounting policies

#### Basis of preparation

6. The financial statements of UNHCR have been prepared on an accrual basis of accounting, in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board. Pursuant to IPSAS 1: Presentation of financial statements, paragraph 31, outlining the general requirements for the presentation of financial statements, and to comply with its promulgated financial rules, UNHCR departs from IPSAS by presenting the net balance of the Staff Benefits Fund within the net assets section of the statement of financial position. The net unfunded balance presented is composed of the accumulated balance of the employee benefit liabilities less the approved funding provided against those liabilities. This presentation, which provides more visibility to the unfunded balance of the Staff Benefits Fund, has been consistently applied to the financial statements since 2007. The full details required to comply with the presentation requirements of IPSAS are nevertheless reflected in note 3.14.

7. The financial statements have been prepared on a going-concern basis. This assertion is based on the approval by the UNHCR Executive Committee of the consolidated budget requirements for 2023 during its seventy-third session (10–14 October 2022) 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.11](#)), 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. 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.

13. Expenses incurred in support of national fundraising entities have been recategorized from implementing partnership expense in table 6.1 to advertising,

marketing and public information in table 6.4 to better reflect the nature of the related costs.

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

#### *Materiality and use of judgment and estimates*

15. 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.

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

### **Revenue**

#### *Non-exchange revenue*

17. 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.

18. 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.

19. 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*

20. 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*

21. 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*

22. Interest revenue is recognized over the period in which it is earned.

**Expenses**

23. 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**

24. 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. Long-term receivables derived from non-exchange revenue recorded on the basis of signed agreements not yet implemented are not treated as financial assets and are not subject to discounting. The classification of financial instruments is subject to annual review. When, due to the ageing, currency and risk profile of the financial asset receivables portfolio, the impact of discounting is immaterial, receivables are recorded at nominal value.

**Assets***Cash and cash equivalents*

25. 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*

26. 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*

27. 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 designated as financial assets are discounted where the effect of the time value of money is considered material.

*Inventories*

28. 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.

29. 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.

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

31. The cost of inventories is determined by using specific identification of their individual actual cost where feasible, or on a weighted average basis.

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

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

*Other assets*

34. 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

35. 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.

36. 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.

37. 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.

38. 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*

39. 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	8
Equipment, including generators, telecommunications, security and safety, storage, computers and office furniture and fittings	5

40. Changes in useful lives are accounted for prospectively as a change in accounting estimate. Assets that are subject to depreciation or amortization are reviewed annually for evidence of impairment to ensure that the carrying amounts are still considered to be recoverable.

41. The estimated useful life of light vehicles was revised from six to eight years in 2022 to reflect recent historical experience and minimize the expected future gains or losses upon planned disposals prior to the end of their useful lives. No other useful life revisions to major asset categories were necessary in 2022.

#### *Intangible assets*

42. 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.

43. 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.

44. 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*

45. 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.

46. 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.

47. 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*

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

*Accounts payable and accruals*

49. 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.

50. 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*

51. 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*

52. 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*

53. 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*

54. 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.

55. 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*

56. 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.

57. 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*

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

*Provisions and contingencies*

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

60. 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**

61. 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.

62. The UNHCR budget is based on a global needs assessment and provides a comprehensive statement of resources required to address the needs of displaced people. The High Commissioner may approve supplementary budgets under the annual 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.

63. 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**

64. 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.

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

66. A formal reorganization of UNHCR operations was initiated in 2019 and was in place for the full years of 2021 and 2022. 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 is organized into seven regions plus headquarters and global programmes for the purpose of evaluating performance in achieving UNHCR objectives and in

making decisions about the future allocation of resources. As a result, these financial statements present regional segments in note 8.

67. As at 31 December 2022, 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.

### **Joint operations**

68. In September 2022, UNHCR and the World Food Programme signed a memorandum of understanding to jointly establish and commence the operation of UN Fleet, offering mobility solutions to United Nations system entities. UN Fleet is not established as a separate entity with legal form. The share of the assets and liabilities of UN Fleet and of its results that accrue to UNHCR form an integral part of these financial statements. In 2022, the first calendar year of operations, the activities of UN Fleet were not material for the purposes of disclosure under IPSAS 37: Joint arrangements and IPSAS 38: Disclosure of interests in other entities.

### **New accounting standards**

69. 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 as it will be implemented for the financial year beginning 1 January 2023.

70. 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.

71. 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.

72. 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.

73. In March 2023, the IPSAS Board issued IPSAS 47: Revenue and IPSAS 48: Transfer expenses, each with an effective date of 1 January 2026. IPSAS 47 will replace IPSAS 9: Revenue from exchange transactions and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers) to create a single consolidated revenue standard. IPSAS 48 is applicable to the accounting for substantially all UNHCR expenses incurred through implementing partners.

74. The impact of both IPSAS 47 and IPSAS 48 is currently being assessed.

75. On the basis of preliminary assessments, the impact of IPSAS 47 on UNHCR accounting for earmarked voluntary contributions is likely to be significant. Under

the current IPSAS 23, UNHCR recognizes substantially all voluntary contributions as non-exchange revenue upon signature of the relevant contribution agreement. Under IPSAS 47, UNHCR will be required to record revenue from earmarked voluntary contributions when (or as) any identified compliance obligations under binding arrangements, and any enforceable obligations arising from other earmarked contributions, are duly satisfied. Compliance obligations and enforceable obligations, as defined in IPSAS 47, are concepts that broadly align with the expectations and entitlements of donors under many individually significant earmarked voluntary contribution agreements. The change in revenue recognition approach upon implementation of IPSAS 47 is expected to result in a significant shift in the timing of recognition for a substantial share of UNHCR revenue from earmarked voluntary contributions from the year of signature of the contribution agreement to the subsequent year(s) for which the funds are intended, and when UNHCR satisfies the relevant obligations.

76. The impact of IPSAS 48 on the UNHCR implementing partner expense accounting is not expected to be significant, as in the absence of specific IPSAS guidance prior to the publication of IPSAS 48, current UNHCR accounting for implementing partner expenses has been preliminarily assessed as being broadly aligned with the accounting approach reflected in IPSAS 48.

### 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 2022</i>	<i>31 December 2021</i>
Cash and cash equivalents		
Headquarters	684 618	287 287
Field offices	290 251	235 573
Short-term deposits	617 578	661 031
<b>Total cash and cash equivalents</b>	<b>1 592 447</b>	<b>1 183 891</b>

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 2022</i>	<i>31 December 2021</i>
<b>Cash and cash equivalents</b>		
Operational	1 327 776	1 020 657
Self-Financing Activities Fund	67 592	16 898
Junior Professional Officers Fund	9 208	9 459
<b>Operational cash and cash equivalents</b>	<b>1 404 576</b>	<b>1 047 014</b>
Staff Benefits Fund	92 261	36 943
Working Capital and Guarantee Fund	95 610	99 933
<b>Non-operational cash and cash equivalents</b>	<b>187 871</b>	<b>136 876</b>
<b>Total cash and cash equivalents</b>	<b>1 592 447</b>	<b>1 183 891</b>
<b>Investments</b>		
Staff Benefits Fund	645 419	577 146
Medical Insurance Plan	69 581	60 955
Self-Financing Activities Fund	–	16 898
<b>Total investments</b>	<b>715 000</b>	<b>655 000</b>
<b>Of which:</b>		
Operational	1 404 576	1 063 913
Non-operational	902 871	774 978
<b>Total cash and cash equivalents and investments</b>	<b>2 307 447</b>	<b>1 838 891</b>

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>Holding currency</i>	<i>Position at 31 December 2022</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	2 073 982	–	–
Euro	85 607	(7 782)	8 561
Pakistan rupee	27 685	(2 517)	2 768
Uganda shilling	10 824	(984)	1 082
Other currencies	109 349	(9 941)	10 935
<b>Total cash and cash equivalents and investments</b>	<b>2 307 447</b>	<b>(21 224)</b>	<b>23 346</b>

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 2022.

Table 3.1.4

**Credit ratings of cash and cash equivalents and investments**

(Thousands of United States dollars)

	<i>Credit ratings<sup>a</sup></i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Money market funds	Aaa	90 050	89 031
Short-term deposits	Prime-1	527 529	572 000
Cash – other		974 868	522 860
Of which:	Prime-1	814 140	397 257
	Prime-2	36 985	20 620
	Prime-3	1 213	1 380
	Unrated/unknown	122 530	103 603
<b>Total cash and cash equivalents</b>		<b>1 592 447</b>	<b>1 183 891</b>
<b>Short-term investments</b>			
Term deposits	Prime-1	715 000	655 000
<b>Total short-term investments</b>		<b>715 000</b>	<b>655 000</b>
<b>Total cash and cash equivalents and investments</b>		<b>2 307 447</b>	<b>1 838 891</b>

<sup>a</sup> Long-term ratings for money market funds and short-term deposits ranged from Aa3 to A1 in 2022 and 2021. For cash – other, ratings are based on aggregated bank group ratings and long-term ratings ranging from Aa1 to Baa3 in 2021 and 2022. Issuers rated Prime-1, Prime-2 or Prime-3 have a superior, strong or acceptable ability to repay short-term debt obligations, respectively, based on Moody's short-term rating definitions.

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

**3.2 Contributions receivable**

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

Table 3.2.1  
**Analysis of net contributions receivable by donor class**

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>31 December 2021</i>
<b>Current contributions receivable</b>		
Governments	933 205	773 145
United Nations system organizations and funds	63 742	18 384
Other intergovernmental organizations	169 073	254 309
Private donors	97 959	95 144
<b>Current contributions receivable before allowance</b>	<b>1 263 979</b>	<b>1 140 982</b>
Allowance for doubtful accounts	(6 348)	(7 720)
<b>Total current contributions receivable</b>	<b>1 257 631</b>	<b>1 133 262</b>
<b>Non-current contributions receivable</b>		
Governments	678 630	776 844
United Nations system organizations and funds	15 074	2 154
Other intergovernmental organizations	51 580	28 239
Private donors	7 475	6 933
<b>Total non-current contributions receivable</b>	<b>752 760</b>	<b>814 170</b>
<b>Net contributions receivable</b>	<b>2 010 391</b>	<b>1 947 432</b>

Table 3.2.2  
**Summary of contributions receivable by year due**

(Thousands of United States dollars)

<i>Year due</i>	<i>31 December 2022</i>	<i>Percentage</i>	<i>Year due</i>	<i>31 December 2021</i>	<i>Percentage</i>
2021 and before	9 346	0.5	2020 and before	3 872	0.2
2022	211 532	10.5	2021	137 373	7.1
2023	1 036 753	51.6	2022	992 017	50.9
<b>Total current contributions receivable</b>	<b>1 257 631</b>	<b>62.6</b>	<b>Total non-current contributions receivable</b>	<b>814 170</b>	<b>41.8</b>
2024	338 381	16.8	2023	284 519	14.6
2025	323 181	16.1	2024	200 625	10.3
2026	90 925	4.5	2025	251 187	12.9
2027	272	0.0	2026	77 839	4.0
<b>Total non-current contributions receivable</b>	<b>752 760</b>	<b>37.4</b>	<b>Total contributions receivable</b>	<b>1 947 432</b>	<b>100.0</b>
<b>Total contributions receivable</b>	<b>2 010 391</b>	<b>100.0</b>			

83. Non-current contributions receivable do not represent financial assets and are not discounted because they do not yet represent financial claims resulting from the prior satisfaction of the earmarking requirements of donors. If these assets were discounted, the effect would be to reduce non-current contributions receivable and

2022 revenue by approximately \$43.5 million. In 2021, the impact of discounting of non-current contributions receivable would have been immaterial.

84. The movement of the allowance for doubtful accounts during 2022 was as follows:

Table 3.2.3  
**Change in allowance for doubtful accounts**

(Thousands of United States dollars)

	31 December 2021	Write-offs	Increase (Decrease)	31 December 2022
Allowance for doubtful accounts	7 720	(3 589)	3 033 (816)	6 348

85. 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 2022	1 789 619	(107)	1 789 513
Less than 12 months overdue	214 665	(3 134)	211 532
More than 12 months overdue	12 454	(3 108)	9 346
<b>Total</b>	<b>2 016 738</b>	<b>(6 348)</b>	<b>2 010 391</b>

Table 3.2.5  
**Total contributions receivable by currency**

(Thousands of United States dollars)

Contributions receivable by currency	31 December 2022	Strengthening of United States dollar by 10 per cent	Weakening of United States dollar by 10 per cent
Euro	659 234	(59 930)	65 923
United States dollar	476 066	–	–
Danish krone	306 894	(27 899)	30 689
Swedish krona	271 748	(24 704)	27 175
Other currencies	296 448	(26 950)	29 645
<b>Total</b>	<b>2 010 391</b>	<b>(139 484)</b>	<b>153 432</b>

86. Contributions receivable are denominated largely in United States dollars, euros, Swedish kronor and Danish kroner. Table 3.2.5 indicates the impact on surplus/(deficit) owing to changes in the dollar-equivalent value of contributions if the dollar strengthens or weakens by 10 per cent, on an asymmetric basis, holding all

other variables constant, compared with the exchange rates in effect as at 31 December 2022.

Table 3.2.6

**Total contributions receivable by credit risk exposure**

(Thousands of United States dollars)

	31 December 2022	31 December 2021
<b>Government ratings<sup>a</sup></b>		
Aaa–Aa3	1 435 415	1 489 247
A1–A3	159 625	39 823
Baa1–Baa3	9 798	16 743
Ba1–B3	743	2 600
Caa–Ca	2 000	530
Unrated	4 399	1 044
<b>Total governments contributions receivable</b>	<b>1 611 981</b>	<b>1 549 988</b>
Intergovernmental organizations	220 600	282 548
United Nations system organizations and funds	78 724	20 538
Private donors	105 434	102 078
<b>Contributions receivable before allowance</b>	<b>2 016 739</b>	<b>1 955 152</b>
Allowance for doubtful accounts	(6 348)	(7 720)
<b>Total contributions receivable</b>	<b>2 010 391</b>	<b>1 947 432</b>

<sup>a</sup> Moody's ratings.

87. 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

88. UNHCR holds inventory items to be distributed to its beneficiaries in 225 warehouses (203 warehouses in 2021) 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 2022, the value of inventory items distributed totalled \$451.2 million (\$425.9 million in 2021) and is recorded as an expense in the statement of financial performance (see note 6.5).

89. 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 2022</i>	<i>31 December 2021 (reclassified)</i>
Medical and hygienic supplies and apparel	143 350	112 489
Household items	122 625	51 041
Tents	77 891	58 281
Bedding materials	62 390	31 182
Construction materials and related equipment	50 019	41 236
Basic food	1 321	702
Other supplies and equipment	23 597	17 947
Assets held for distribution	2 021	575
<b>Subtotal</b>	<b>483 214</b>	<b>313 454</b>
<i>Less: inventory valuation allowance</i>	(18 589)	(13 077)
<b>Total inventory</b>	<b>464 625</b>	<b>300 376</b>

90. In 2022, consumables of \$20.0 million (2021: \$16.0 million) are material and are presented as inventory within the inventory category other supplies and equipment in table 3.3.1. For consistency, the 2021 comparative amounts have been reclassified as other supplies and equipment in table 3.3.1 and accounted as cost of goods acquired and cost of goods distributed in table 3.3.2.

91. Inventory quantities derived from the UNHCR inventory tracking system are validated by physical stock counts and adjusted as necessary. As formal control mechanisms for consumables are under development, the value attributed to this inventory category is estimated on the basis of the best available information.

92. At year-end, UNHCR held inventory items with a total value of \$464.6 million net of valuation allowances. This is equivalent to approximately 12 months' distribution made in 2022 (approximately 8 months in 2021).

93. Prior to their disposal, assets held for distribution to partners are recategorized from property, plant and equipment to inventory (see table 3.5.1).

Table 3.3.2  
**Movement in inventory**

(Thousands of United States dollars)

<i>Inventory reconciliation</i>	<i>2022</i>	<i>2021 (reclassified)</i>
Opening inventory as at 1 January	300 376	260 415
Cost of goods acquired <sup>a</sup>	598 214	464 432
Cost of goods distributed	(451 255)	(425 886)
Other adjustments	22 802	7 088
Change in inventory valuation allowance	(5 513)	(5 672)
<b>Closing inventory as at 31 December</b>	<b>464 625</b>	<b>300 376</b>

<sup>a</sup> Includes in-kind contributions and consumables.

Table 3.3.3  
**Change in inventory valuation allowance**

(Thousands of United States dollars)

	31 December 2021	Increase/(decrease)	31 December 2022
Inventory valuation allowance	13 077	5 513	18 589

94. The inventory valuation allowance as at 31 December 2022 reflects value adjustments for inventory items beyond their shelf lives (\$12.2 million), overdue from suppliers (\$2.6 million) and in transit between warehouses for extended periods (\$3.8 million).

### 3.4 Other current assets

Table 3.4  
**Summary of other current assets**

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Prepayments	190 103	167 658
Implementing partner receivables	47 729	50 662
Value added tax receivables	41 482	39 306
Staff advances	18 309	17 159
Deposits with suppliers	16 100	6 801
Other assets	8 865	6 675
<b>Subtotal</b>	<b>322 588</b>	<b>288 262</b>
<i>Less: allowance for other current assets</i>	<i>(23 691)</i>	<i>(23 690)</i>
<b>Total other current assets</b>	<b>298 897</b>	<b>264 571</b>

95. 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 \$113.7 million (2021: \$87.3 million) include \$43.2 million for 96 projects where the delivery of services is extended into 2023 (2021: \$40.0 million for 107 extended projects) and \$70.5 million of first instalments for 267 projects due for implementation in 2023 (2021: \$47.3 million against 116 new projects).

96. 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 \$29.1 million. Other prepayments of \$47.3 million relate largely to commercial vendors.

97. 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 \$163.5 million (2021: \$114.3 million) is still pending (see note 6.1). Based on past experience, the pending reports are expected to confirm implementing partner expenses in 2022 of approximately \$159.4 million (2021: \$138.3 million). The remaining \$4.1 million of pending reports (2021: \$5.0 million) are expected refunds due to ineligibility and underspending and thus represent estimated implementing partner receivables. The remaining receivables of \$43.6 million (2021: \$45.7 million)

represent confirmed refunds due from implementing partners for ineligible and underspent balances.

98. Staff advances consist primarily of education grants, rental subsidies, travel, medical expenses, salary and other staff entitlements.

99. 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**

100. 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.

101. Assets held at 31 December 2022 for distribution to partners were recategorized to inventory (see table 3.3.1).

Table 3.5.1  
**Property, plant and equipment, 2022**

(Thousands of United States dollars)

	<i>Land and buildings</i>	<i>Major alterations and improvements</i>	<i>Motor vehicles</i>	<i>Generators</i>	<i>Computer and telecommunications equipment</i>	<i>Other equipment</i>	<i>Total</i>
<b>Cost/valuation</b>							
Opening balance at 1 January 2022	8 647	18 366	332 956	42 966	20 887	23 237	447 058
Additions – purchased	–	4 626	49 436	10 695	1 804	3 615	70 176
Additions – contributions in kind	–	–	–	126	74	–	200
Assets held for distribution	–	–	(1 932)	(303)	15	109	(2 111)
Disposals <sup>a</sup>	–	–	(35 239)	(4 604)	(1 506)	(779)	(42 128)
<b>Closing balance at 31 December 2022</b>	<b>8 647</b>	<b>22 992</b>	<b>345 221</b>	<b>48 880</b>	<b>21 274</b>	<b>26 182</b>	<b>473 195</b>
<b>Accumulated depreciation</b>							
Opening balance at 1 January 2022	(4 718)	(6 349)	(156 285)	(33 470)	(16 055)	(16 255)	(233 133)
Assets held for distribution	–	–	747	87	(6)	55	883
Disposals <sup>a</sup>	–	–	24 845	3 126	1 154	535	29 660
Depreciation charge for the year	(405)	(1 072)	(25 898)	(3 935)	(1 584)	(2 464)	(35 358)
Impairment	–	175	(1 174)	–	–	–	(999)
<b>Closing balance at 31 December 2022</b>	<b>(5 123)</b>	<b>(7 246)</b>	<b>(157 765)</b>	<b>(34 193)</b>	<b>(16 490)</b>	<b>(18 130)</b>	<b>(238 947)</b>
<b>Net book value</b>							
Opening balance at 1 January 2022	3 928	12 017	176 671	9 496	4 833	6 981	213 926
<b>Closing balance at 31 December 2022</b>	<b>3 523</b>	<b>15 746</b>	<b>187 456</b>	<b>14 687</b>	<b>4 784</b>	<b>8 052</b>	<b>234 248</b>

<sup>a</sup> Disposals included assets transferred to partners with a net book value of \$9.3 million.

Table 3.5.2  
**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>
<b>Cost/valuation</b>							
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 <sup>a</sup>	–	–	(24 844)	(1 385)	(951)	(4 048)	(31 228)
<b>Closing balance at 31 December 2021</b>	<b>8 647</b>	<b>18 366</b>	<b>332 956</b>	<b>42 966</b>	<b>20 887</b>	<b>23 237</b>	<b>447 058</b>
<b>Accumulated depreciation</b>							
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 <sup>a</sup>	–	–	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)
<b>Closing balance at 31 December 2021</b>	<b>(4 718)</b>	<b>(6 349)</b>	<b>(156 285)</b>	<b>(33 470)</b>	<b>(16 055)</b>	<b>(16 255)</b>	<b>(233 133)</b>
<b>Net book value</b>							
Opening balance at 1 January 2021	4 333	7 904	177 066	10 612	3 823	9 883	213 621
<b>Closing balance at 31 December 2021</b>	<b>3 928</b>	<b>12 017</b>	<b>176 671</b>	<b>9 496</b>	<b>4 833</b>	<b>6 981</b>	<b>213 926</b>

<sup>a</sup> Disposals included assets transferred to partners with a net book value of \$5.3 million.

**3.6 Intangible assets**

Table 3.6.1

**Movements in intangible assets, 2022**

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2022</i>
<b>Cost</b>			
Opening balance 1 January 2022	–	59 475	59 475
Additions – purchased	4 716	–	4 716
Additions – contributions in kind	–	1 771	1 771
Disposals	–	–	–
Transfers into service	(4 716)	4 716	–
<b>Closing balance 31 December 2022</b>	<b>–</b>	<b>65 961</b>	<b>65 961</b>
<b>Accumulated amortization</b>			
Opening balance 1 January 2022	–	(31 018)	(31 018)
Disposals	–	–	–
Amortization charge for the year	–	(10 847)	(10 847)
<b>Closing balance 31 December 2022</b>	<b>–</b>	<b>(41 865)</b>	<b>(41 865)</b>
<b>Net book value</b>			
Opening balance 1 January 2022	–	28 457	28 457
<b>Closing balance 31 December 2022</b>	<b>–</b>	<b>24 096</b>	<b>24 096</b>

Table 3.6.2

**Movements in intangible assets, 2021**

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2022</i>
<b>Cost</b>			
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	–
<b>Closing balance 31 December 2021</b>	<b>–</b>	<b>59 475</b>	<b>59 475</b>
<b>Accumulated amortization</b>			
Opening balance 1 January 2021	–	(22 534)	(22 534)
Disposals	–	3 024	3 024
Amortization charge for the year	–	(11 508)	(11 508)
<b>Closing balance 31 December 2021</b>	<b>–</b>	<b>(31 018)</b>	<b>(31 018)</b>
<b>Net book value</b>			
Opening balance 1 January 2021	624	37 496	38 120
<b>Closing balance 31 December 2021</b>	<b>–</b>	<b>28 457</b>	<b>28 457</b>

102. 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 2022, a total of \$4.7 million was transferred into service and capitalized for internally developed software projects completed during the year. These represent primarily the Population Registration and Identity Management EcoSystem (PRIMES).

### 3.7 Accounts payable and accruals

Table 3.7.1

#### Analysis of accounts payable and accruals

(Thousands of United States dollars)

	31 December 2022	31 December 2021
<b>Accounts payable</b>		
Commercial and other suppliers	106 966	77 079
Implementing partners	75 965	56 124
United Nations entities	35 270	5 157
<b>Total accounts payable</b>	<b>218 202</b>	<b>138 360</b>
Accruals	110 199	120 385
<b>Total accounts payable and accruals</b>	<b>328 401</b>	<b>258 745</b>

103. Accounts payable to commercial and other suppliers relate primarily to amounts due for goods and services for which invoices have been received.

104. Accounts payable to implementing partners represent payments due against agreements with those partners for delivered services.

105. 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)

	<i>Position at 31 December 2022</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	181 605	–	–
Euro	32 789	(2 981)	3 279
Jordanian dinar	13 261	(1 206)	1 326
Romanian leu	10 117	(920)	1 012
Other currencies	90 628	(8 239)	9 063
<b>Total accounts payable and accruals</b>	<b>328 401</b>	<b>(13 345)</b>	<b>14 680</b>

106. 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 2022.

### 3.8 Employee benefits liabilities

Table 3.8.1

#### Analysis of employee benefits liabilities

(Thousands of United States dollars)

	2022	2021
<b>Employee benefits liabilities</b>		
After-service health insurance	833 927	1 200 464
Repatriation benefits	131 577	144 640
Annual leave	120 740	117 332
Salaries and other staff benefits	32 376	24 135
Other separation benefits	2 674	2 437
<b>Total employee benefits liabilities</b>	<b>1 121 294</b>	<b>1 489 008</b>
<b>Composition</b>		
Current	173 574	160 219
Non-current	947 720	1 328 789
<b>Total employee benefits liabilities</b>	<b>1 121 294</b>	<b>1 489 008</b>

107. 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.

108. 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 at the end of 2021 was \$10.0 million. The standard limitation on entitlement carry forward was reimposed during 2022, when any remaining liabilities for balances in excess of the reimposed standard threshold were extinguished.

109. 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 at the end of 2021 (\$13.8 million) included \$2.2 million resulting from the temporary lifting of a limit on the balance of unconsumed entitlements that could be carried forward. The cap was reimposed during 2022 when any remaining liabilities for balances in excess of the reimposed threshold were extinguished.

### Actuarial valuation of post-employment liabilities

110. 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 post-employment liabilities</i>	
Discount rate	3.41% (2021: 1.61%) – Projected after-service health insurance cash outflows are discounted at spot rates for high-quality corporate bonds payable in each major currency appropriate for that maturity. The rate disclosed represents a weighted average of discount rates of three major currencies: the United States dollar, the euro and the Swiss franc. The underlying reference discount rates are consistent with those recommended by experts and agreed for use by entities within the United Nations system. The average duration of the obligations is estimated at 33 years for the participants in the United Nations Staff Mutual Insurance Society scheme and at 22 years for participants in the Medical Insurance Plan.
Health-care cost inflation	1.84% (2021: 1.79%) – 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	<p>\$4,915 (2021: \$4,745) – 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.</p> <p>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.</p>
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 2022, 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.

*Assumptions used in valuation of post-employment liabilities*

Discount rate	5.16% (2021: 2.41%) – 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. The average duration of the obligations is estimated at 4 years in respect of repatriation grants and at 8 years in respect of travel and shipping costs.
Expected rate of salary increase	2.2% (2021: 2.50%)

**After-service health insurance liability**

Table 3.8.2

**Comparison of gross and net after-service health insurance liability**

(Thousands of United States dollars)

	2022	2021
Gross accrued liability	1 220 811	1 755 862
Offset from retiree contributions	(386 884)	(555 397)
<b>Net liability as at 31 December</b>	<b>833 927</b>	<b>1 200 464</b>

111. The accrued liability represents the already earned portion of the present value of benefits that has accrued from the staff member's date of entry on duty into qualifying service until the valuation date. The total period of qualifying service may include non-continuous prior periods. An active staff member's benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Liabilities are calculated using the projected unit credit method, whereby each participant's benefits under the plan are expensed as they accrue, taking into consideration the plan's benefit allocation formula. As retirees continue to make contributions to the scheme, the gross liability is reduced by the present value of expected post-retirement contributions by participants to reflect the net liability.

112. The following table presents a reconciliation of opening and closing balances of the after-service health insurance liability:

Table 3.8.3

**Change in defined benefit obligation**

(Thousands of United States dollars)

<i>After-service health insurance</i>	2022	2021
Defined benefit obligation at 1 January	1 200 464	1 021 858
Service cost for year	64 403	54 223
Interest cost for year	19 292	13 735
Benefits paid (net of participant contributions)	(6 676)	(6 172)
Actuarial (gain)/loss	(443 556)	116 820
<b>Defined benefit obligation at 31 December</b>	<b>833 927</b>	<b>1 200 464</b>

113. Service and interest costs are recognized as an expense in the statement of financial performance (statement II). The expense recognized in 2022 is \$83.7 million (\$68.0 million in 2021), as detailed in note 6.2.

114. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial gain of \$443.6 million in 2022 is attributable to changes in financial assumptions since 2021, in particular higher discount rates (\$492.0 million), offset by actuarial losses primarily attributable to changes in medical trend rates (\$22.7 million) and further offset by experience adjustments (\$24.2 million). The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and liability.

115. UNHCR sets aside funds in respect of after-service health insurance liabilities for past service (3 per cent of the net base salary of all Professional and General Service staff) and for current-year costs (service and interest). The total amount funded as at 31 December 2022 is \$584.8 million (\$468.3 million in 2021) (see also note 3.14). The amounts funded are not held by a trust that is legally separate from UNHCR and are thus not considered to be plan assets for the purpose of IPSAS 39.

Table 3.8.4

**Unfunded defined benefit obligations**

(Thousands of United States dollars)

<i>After-service health insurance</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
<b>Defined benefit obligations</b>	<b>833 927</b>	<b>1 200 464</b>
Funded	(584 836)	(468 300)
<b>Unfunded defined benefit obligations</b>	<b>249 091</b>	<b>732 165</b>

116. The contribution of UNHCR in 2023 for after-service health insurance is estimated at \$97.8 million.

**Sensitivity analysis**

117. 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 2022; and (b) the accumulated post-employment benefit obligation as at 31 December 2022 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	(17 802)	(171 833)
One percentage point decrease	21 075	220 140
Net periodic post-employment medical costs:		
One percentage point increase	23 427	220 779
One percentage point decrease	(16 413)	(174 974)

	<i>Service cost and interest cost</i>	<i>Accumulated post- employment benefit obligations</i>
Age factor:		
One per cent increase per year after age 65	22 487	228 928
One per cent decrease per year after age 65	(16 683)	(172 653)

### Repatriation benefits

118. 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 2022 was \$131.6 million (\$144.6 million in 2021), as shown in table 3.8.6.

Table 3.8.6  
**Repatriation accrued liability by type**

(Thousands of United States dollars)

	<i>2022</i>	<i>2021</i>
Repatriation grant	78 738	80 073
Travel and shipment	52 839	64 567
<b>Liability as at 31 December</b>	<b>131 577</b>	<b>144 640</b>

119. The accrued liability represents the already earned portion of the present value of repatriation benefits.

120. Table 3.8.7 presents a reconciliation of opening and closing balances of the repatriation liability.

Table 3.8.7  
**Repatriation liability roll forward**

(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>2022</i>	<i>2021</i>
Net obligation at 1 January	144 640	134 810
Service cost for the year	7 324	7 097
Interest cost for the year	3 333	2 396
Benefits paid	(4 867)	(4 036)
Actuarial (gain)/loss	(18 852)	4 373
<b>Total obligation at 31 December</b>	<b>131 577</b>	<b>144 640</b>

121. The aggregate of the current-year service and interest costs is recognized as an expense in the statement of financial performance (statement II). For 2022, the expense recognized was \$10.7 million (\$9.5 million in 2021). The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and the liability.

122. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial gain of \$18.9 million in 2022 is attributable to changes in financial

assumptions, in particular to the increase in the single equivalent discount rate (\$30.2 million), offset by actuarial losses due to changes in demographic assumptions (\$5.5 million) and experience (\$7.0 million).

Table 3.8.8

**Funding status of repatriation liability**

(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
<b>Total obligations</b>	<b>131 577</b>	<b>144 640</b>
Funded	(29 430)	(26 021)
<b>Unfunded obligations</b>	<b>102 147</b>	<b>118 619</b>

123. The contribution by UNHCR in 2023 for repatriation benefits is estimated at \$3.0 million.

**Sensitivity analysis**

124. 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 2022; and (b) the accumulated post-employment benefit obligation as at 31 December 2022 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	1 224	5 878
One percentage point decrease	(1 055)	(5 237)
Discount rates:		
One percentage point increase	(1 109)	(6 709)
One percentage point decrease	1 290	11 989

**United Nations Joint Staff Pension Fund**

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

126. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund.

UNHCR and the Fund, in line with the other organizations participating in the Fund, is not in a position to identify the proportionate share of UNHCR in the defined benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Hence, UNHCR has treated this plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39, Employee benefits. The organization's contributions to the Fund during the financial period are recognized as expenses in the statement of financial performance.

127. It is stated in the Regulations of the Pension Fund 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.

128. The financial obligation of UNHCR to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

129. The latest actuarial valuation for the Fund was completed as at 31 December 2021, and a roll forward of the participation data as at 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

130. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

131. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly has not invoked the provision of article 26.

132. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2019, 2020 and 2021) amounted to \$8,505.27 million, of which 12.7 per cent was contributed by UNHCR.

133. During 2022, contributions paid to the Fund by UNHCR amounted to \$267.3 million (2021: \$241.2 million). Expected contributions due in 2023 are approximately \$300 million.

134. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were

participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities is included in the amount.

135. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on its website at [www.unjspf.org](http://www.unjspf.org).

### 3.9 Other current liabilities

136. 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 2022</i>	<i>31 December 2021</i>
Other payables	9 704	16 671
Contributions pending agreement	998	373
<b>Total other current liabilities</b>	<b>10 702</b>	<b>17 044</b>

### 3.10 Provisions

Table 3.10

#### Provisions

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>31 December 2021</i>
<b>Type of provision</b>		
Provisions for refunds of contributions	–	214
Legal claims	5 526	5 424
Other	94	94
<b>Total provisions</b>	<b>5 620</b>	<b>5 732</b>
<b>Of which:</b>		
Current	5 526	5 638
Non-current	94	94
<b>Total provisions</b>	<b>5 620</b>	<b>5 732</b>

137. Provisions for legal claims represent cases where payment is probable, and the amount of the settlement claim can be reliably estimated. UNHCR is in ongoing commercial disputes with a small number of suppliers regarding the quantities delivered and prices charged. These disputes are subject to negotiation and may ultimately be settled through arbitration, with uncertain outcome. The estimated additional cost to settle the agreements in arbitration is included as a legal provision.

**3.11 Accumulated fund balances and reserves**

Table 3.11

**Accumulated fund balances and reserves**

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2022</i>
<b>Annual Programme Fund</b>				
Annual Programme Fund net of Reserves	3 317 882	689 383	(214 556)	3 792 709
Operational reserve	10 000	–	–	10 000
New or additional activities – mandate-related reserve	20 000	–	(20 000)	–
<b>Total Annual Programme Fund</b>	<b>3 347 882</b>	<b>689 383</b>	<b>(234 556)</b>	<b>3 802 709</b>
United Nations Regular Budget Fund	22	42 161	–	42 183
Junior Professional Officers Fund	9 539	(331)	–	9 208
<b>Total accumulated fund balances and reserves</b>	<b>3 357 443</b>	<b>731 213</b>	<b>(234 556)</b>	<b>3 854 100</b>

138. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization. The Projects Fund was previously reported separately but is now subsumed within the Annual Programme Fund. Opening balances have been restated accordingly.

139. 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.

140. The new or additional activities – mandate-related reserve was utilized to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities consistent with the activities and strategies in the approved annual programme budget and the mandate of the Office. 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 was transferred back to the annual programme fund in 2022.

**3.12 Working Capital and Guarantee Fund**

141. 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)

	31 December 2021	Surplus/ (deficit)	Transfer in/(out)	31 December 2022
Working Capital and Guarantee Fund	100 000	(115 408)	115 408	100 000

### 3.13 Medical Insurance Plan

Table 3.13  
**Changes in Medical Insurance Plan**

(Thousands of United States dollars)

	31 December 2021	Surplus/ (deficit)	Transfer in/(out)	31 December 2022
Medical Insurance Plan	60 673	8 908	–	69 581

142. 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)

	31 December 2021	Surplus/ (deficit)	Actuarial gain/(loss)	Transfer in/(out)	31 December 2022
Staff Benefits Fund	(850 784)	(77 942)	462 408	115 080	(351 238)

Table 3.14.2  
**Analysis of Staff Benefits Fund**

(Thousands of United States dollars)

	31 December 2022			31 December 2021		
	Liabilities	Funding	Net fund balance	Liabilities	Funding	Net fund balance
After-service health insurance	(833 927)	584 836	(249 091)	(1 200 464)	468 300	(732 165)
Repatriation	(131 577)	29 430	(102 147)	(144 640)	26 020	(118 619)
Annual leave	(120 740)	120 740	–	(117 332)	117 332	–
Other separation benefits	(2 674)	2 674	–	(2 437)	2 437	–
<b>Total</b>	<b>(1 088 918)</b>	<b>737 680</b>	<b>(351 238)</b>	<b>(1 464 873)</b>	<b>614 089</b>	<b>(850 784)</b>

143. The Staff Benefits Fund was established to record transactions relating to end-of-service and post-retirement benefits. The financial rules for voluntary funds administered by the High Commissioner require that financial liabilities associated with accrued end-of-service and post-retirement benefits shall be recorded in the Staff Benefits Fund together with the funding of such liabilities. Therefore, the deficit of funding compared with the related liabilities of \$351.2 million (2021: \$850.8 million) is presented as the net balance (deficit) of the Staff Benefits Fund on the face of the statement of financial position. UNHCR management considers that this presentation represents a necessary departure from the requirements of paragraph 95 of IPSAS 1: Presentation of financial statements, as permitted under exceptional circumstances in paragraph 31 of IPSAS 1. The full information required to comply with the presentation requirements of paragraphs 32 and 95 of IPSAS 1 by separately identifying the funding of \$737.7 million (2021: \$614.1 million) and the related liabilities of \$1,088.9 million (2021: \$1,464.9 million) is disclosed in table 3.14.2. Although the net fund balance represents the deficit of the funding compared with the related liabilities, the funding is not legally protected (“ring-fenced”) to cover the related liabilities.

144. 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 2022 is \$584.8 million (\$468.3 million in 2021) (see also note 3.8 above).

145. In addition, in accordance with the decision of the Standing Committee, UNHCR has reserved funding for repatriation since 2012.

146. 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

147. 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)

	<i>31 December 2021</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2022</i>
Self-Financing Activities Fund	155 792	41 386	4 069	201 246

#### Note 4

##### Risk analysis

##### Credit risk

148. 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*

149. 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.

150. 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 2022, UNHCR had money market funds amounting to \$90.0 million, which had the highest fund rating issued by S&P Global Ratings of Aaa. As at 31 December 2022, UNHCR had short-term deposits of \$527.5 million, which were all rated in the highest short-term rating category of Prime-1.

151. 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.

152. Credit risk for cash and investments is summarized in table 3.1.4.

### *Receivables*

153. 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**

154. UNHCR total cash and cash equivalent holdings amounted to \$2,307.4 million as at 31 December 2022, compared with \$1,183.9 million as at 31 December 2021.

155. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of \$1,404.6 million and encumbered non-operational cash holdings amounting to \$902.8 million (see note 3.1).

156. The average balance of unencumbered operational cash holdings during 2022 represents a coverage of 3.1 months of expenses (2021: 2.7 months).

157. The implementation of UNHCR programme and emergency activities is planned using cash flow forecasting for actual and estimated pledged contributions and special appeals. Liquidity management procedures and monitoring are in place to ensure that sufficient liquid cash holdings are available to meet contractual liabilities as and when due. However, UNHCR is heavily dependent upon cash flows from a small number of major donors. Due to donor restrictions ("earmarking"), not all liquid assets are available to fund general operations in the event of delays in the receipt of funds pledged, declining contributions, or other unanticipated events that negatively impact liquidity. Short-term future charges on net assets include the obligation to liquidate commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered by 31 December (see note 9.2). Typically, approximately 65 per cent of the total of such commitments at year-end are liquidated within the first six months of the subsequent period.

**Interest rate risk**

158. 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.

159. During the period from 1 January to 31 December 2022, deposits were held primarily in United States dollars. The average rate of return on United States dollar deposits was 1.57 per cent, compared with 0.08 per cent in 2021, reflecting the increasing interest rate trends in this short-term investment segment.

Table 4.1

**Deposit trend analysis**

	2022	2021
<b>Term deposits</b>		
Average balance (millions of United States dollars)	1 167	1 036
Average interest rate (percentage)	1.57	0.08
Average duration (days)	36	38

**Foreign exchange risk**

160. The organization is impacted by the foreign exchange risk derived from direct cash flows throughout the year of contributions that are received primarily in 11 major currencies and payments that are made in 109 currencies worldwide. UNHCR manages currency risk at the multi-currency portfolio level by establishing actual and forecasted net cash flow positions by currency pairs that are highly correlated between receiving and paying currencies. Therefore, short-term hedging interventions are limited. UNHCR enters into currency swap arrangements primarily to manage currency and interest risks of holding excess euro balances. Currency swaps are traded mainly against the United States dollar. In 2022, swap transactions amounted to €317.2 million. In addition, UNHCR conducts a limited number of forward contracts for known Swiss franc payroll requirements. In 2022, SwF 56.5 million was traded for this purpose. There are no open forward contracts at year-end.

161. 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.

162. 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.

163. UNHCR procures all major convertible currencies centrally at headquarters through standardized electronic trading platforms managing worldwide operational needs in approximately 135 countries and territories of operation.

*Sensitivity analysis*

164. 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 2022 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.

165. 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 2022</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	10 368	(943)	1 037
Kenya shilling	8 967	(815)	897
Uganda shilling	5 949	(541)	595
Yemeni rial	5 866	(533)	587
Other currencies	26 312	(2 392)	2 631
<b>Total</b>	<b>57 462</b>	<b>(5 224)</b>	<b>5 746</b>

166. The remaining monetary assets and liabilities not included in cash, investments receivables and accounts payable that are subject to foreign exchange rate movements are summarized in table 4.2.

Table 4.3

**Net monetary assets and liabilities by currency risk**

(Thousands of United States dollars)

<i>Net monetary assets and liabilities by currency</i>	<i>31 December 2022</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
United States dollar	1 338 004	–	–
Euro	717 567	(65 233)	71 757
Danish krone	306 716	(27 883)	30 672
Swedish krona	272 776	(24 798)	27 278
Norwegian krone	117 697	(10 700)	11 770
Australian dollar	71 879	(6 534)	7 188
Canadian dollar	68 251	(6 205)	6 825
Pakistan rupee	24 631	(2 239)	2 463
Other currencies	98 938	(8 994)	9 894
<b>Total</b>	<b>3 016 460</b>	<b>(152 587)</b>	<b>167 846</b>

167. The largest overall exposures netting off monetary assets against monetary liabilities by currency are summarized in table 4.3.

168. 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 \$85.4 million (2.2 per cent) if the United States dollar strengthens by 10 per cent, and to increase fund balances by \$94.0 million (2.4 per cent) if the United States dollar weakens by 10 per cent, compared with the exchange rates in effect as at 31 December 2022, as currency fluctuations of 10 per cent are considered possible as at this date. Year-end exposure to currency risk is considered to be higher than the risk that generally applies during the year, as receivables denominated in currencies other than the United States dollar are higher at year-end than typical average levels applicable during the financial year.

## Note 5 Revenue

### 5.1 Voluntary contributions

Table 5.1.1  
Analysis of voluntary contributions

(Thousands of United States dollars)

	2022	2021
<b>Monetary contributions</b>		
Government	4 157 319	4 189 861
Other intergovernmental organizations	324 160	208 127
Private donors	1 112 417	543 357
United Nations system organizations and funds	180 640	107 321
<b>Subtotal monetary contributions</b>	<b>5 774 537</b>	<b>5 048 665</b>
Refunds to donors and other reductions in prior-year revenue	(4 091)	(1 654)
<b>Total monetary contributions</b>	<b>5 770 445</b>	<b>5 047 011</b>
<b>In-kind contributions</b>		
Government	31 298	29 964
Other intergovernmental organizations	759	–
Private donors	127 996	110 239
United Nations system organizations and funds	871	–
<b>Total in-kind contributions</b>	<b>160 923</b>	<b>140 203</b>
<b>Total voluntary contributions</b>	<b>5 931 369</b>	<b>5 187 214</b>

169. 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.

170. 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 2022 comprised \$125.5 million for goods (\$103.8 million in 2021) and \$35.4 million for services (\$36.4 million in 2021). Contributions of goods consisted primarily of clothing and footwear (\$87.4 million).

171. The total monetary contributions (before adjustments) of \$5,774.5 million recorded in 2022 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>2022</i>	<i>Year funded</i>	<i>2021</i>
<b>2022 and earlier</b>	<b>4 477 103</b>	<b>2021 and earlier</b>	<b>3 282 437</b>
<b>Future years</b>		<b>Future years</b>	
2023	1 042 385	2022	952 719
2024	145 584	2023	277 327
2025	87 630	2024	199 166
2026	21 260	2025	259 755
2027	574	2026	77 261
<b>Subtotal, future years</b>	<b>1 297 433</b>		<b>1 766 228</b>
<b>Total monetary contributions (before adjustments)</b>	<b>5 774 537</b>		<b>5 048 665</b>

172. Revenue from earmarked voluntary contributions is recognized, and receivables are recorded at the time of signature of the relevant agreement.

Table 5.1.3  
**Monetary contributions by type of earmarking**

(Thousands of United States dollars)

	<i>2022</i>	<i>2021</i>
Unearmarked	777 319	1 068 309
Softly earmarked	1 619 512	952 887
Earmarked	2 428 097	2 250 048
Tightly earmarked	949 609	777 421
<b>Total monetary contributions (before adjustments)</b>	<b>5 774 537</b>	<b>5 048 665</b>

173. Unearmarked contributions are fully flexible in how they can be used. Contributions are softly earmarked if they can be used for a specific geographical region or strategic objective only. Earmarked contributions are those that are directed to a specific country operation or subobjective. Tightly earmarked contributions can only be used for a specific project or are restricted both geographically and thematically. As most contributions pending an earmarking decision by the donor are ultimately restricted to a specific country, these contributions are reflected as earmarked.

## 5.2 United Nations regular budget

Table 5.2  
**United Nations regular budget**

(Thousands of United States dollars)

	<i>2022</i>	<i>2021</i>
United Nations regular budget	84 378	43 177

174. The regular budget is allotted annually by the United Nations to UNHCR and covers staff and other managements cost as determined under article 20 of the statute of the Office. Revenue recognized in 2022 includes the allotment advice received in December for the budget year 2023 (\$42.2 million). The allotment advice letters for 2021 and 2022 were each received at the beginning of the respective budget years to which they related.

### 5.3 Interest revenue

175. The significant increase in market interest rates during 2022 was the primary reason for the higher interest revenue reported in the year of \$26.1 million compared with the interest revenue of \$2.5 million recorded in 2021.

### 5.4 Other revenue

Table 5.4

#### Other revenue

(Thousands of United States dollars)

	2022	2021
Gain on sale of assets	15 747	7 704
Use of guest-house accommodation	4 828	3 750
Medical premiums from Medical Insurance Plan participants	4 273	3 921
Use of office space and parking	744	608
Miscellaneous revenue	5 159	5 357
<b>Total other revenue</b>	<b>30 750</b>	<b>21 339</b>

### Note 6

#### Expenses

### 6.1 Implementing partnership expense

176. The total implementing partners' expense incurred during the financial period amounted to \$1,393.0 million (2021: \$1,310.0 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	
					2022	2021 (reclassified)
West and Central Africa	15 736	67 526	45 793	–	129 055	115 262
East Africa, Horn of Africa and Great Lakes Region	54 044	170 349	46 256	1 082	271 730	288 362
Southern Africa	8 641	27 593	21 284	124	57 642	53 286
Middle East and North Africa	16 913	148 427	153 617	4 735	323 691	319 544
Asia and the Pacific	5 027	30 183	96 073	(2 279)	129 003	130 500
Europe	7 717	34 809	93 960	204	136 690	86 473
The Americas	3 267	46 523	70 194	391	120 376	133 737
Headquarters/global programmes	697	26 496	18 434	(405)	45 221	57 997
<b>Expenses reported by implementing partners against current-year agreements</b>	<b>112 041</b>	<b>551 905</b>	<b>545 611</b>	<b>3 851</b>	<b>1 213 408</b>	<b>1 185 161</b>

Region	Government	International non-governmental organizations	Local non-governmental organizations	United Nations system organizations	Total expenses	
					2022	2021 (reclassified)
Report pending receipt or processing	45 111	61 036	45 454	11 943	163 544	114 371
Prior-year agreement adjustments <sup>a</sup>	6 871	6 472	954	1 777	16 074	10 505
<b>Total expense</b>	<b>164 023</b>	<b>619 413</b>	<b>592 018</b>	<b>17 570</b>	<b>1 393 025</b>	<b>1 310 037</b>

<sup>a</sup> The prior-year agreement adjustments amount of \$16.0 million (2021: \$10.5 million) includes refundable unspent balances of \$34.3 million (2021: \$40.0 million) and recoveries resulting from partner audits of \$1.1 million (2021: \$1.3 million), which are offset by partner expenses in the current year against previously recorded prepayments of \$50.0 million (2021: \$50.6 million) and partner receivable write-off expenses of \$0.1 million (2021: \$1.2 million) net of reversal of related allowances and other expenses.

177. The amount of \$1,393.0 million reported as implementing partner expenses (2021: \$1,310.0 million) includes \$163.5 million (2021: \$114.4 million) paid to implementing partners in 2022 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).

178. The total amount of funds recovered from implementing partners in 2022 for unjustified expenses was \$1.1 million (\$1.3 million in 2021). These were determined through UNHCR review of audit reports of activities implemented by partners.

179. Interest and miscellaneous revenue amounting to \$1.9 million (\$3.4 million in 2021) were received from implementing partners for the year.

180. In 2022, expenses incurred in respect of support for national fundraising partners were reclassified from implementing partnership expense to contractual services: advertising, marketing and public information to better reflect the nature of the funding provided (see table 6.4). As a result, the prior-year comparative amounts have been restated accordingly.

## 6.2 Salaries and employee benefits

Table 6.2

### Salaries and employee benefits

(Thousands of United States dollars)

	2022	2021
Salary	761 206	689 252
Staff allowances and entitlements	234 536	203 582
Pension	177 757	160 086
After-service health insurance	83 696	67 958
Temporary assistance	77 833	66 538
Medical insurance – current	42 665	39 151
Termination	7 273	7 315
Reimbursement of income tax	7 037	6 366
Evacuation	4 088	3 635
Annual leave	3 360	6 402
Other personnel costs	11 840	10 432
<b>Total salaries and employee benefits</b>	<b>1 411 291</b>	<b>1 260 716</b>

181. Annual leave of \$3.4 million (2021: \$6.4 million) represents the increase in annual leave entitlements accrued by staff during the period (see also para. 108 above).

182. Other personnel costs are offset by the capitalization of internal staff costs of \$2.7 million (2021: \$3.4 million) incurred in the development of intangible assets.

### 6.3 Cash assistance to beneficiaries

183. Cash assistance is a means of delivering protection, assistance and services providing recipients with choice in meeting their needs.

184. Cash assistance of \$888.1 million (2021: \$573.2 million) excludes cash assistance provided through partners of \$81.0 million (2021: \$95.3 million), which is included in implementing partnership expense in note 6.1.

### 6.4 Contractual services

Table 6.4

#### Contractual services

(Thousands of United States dollars)

	2022	2021 (reclassified)
Affiliated workforce and individual contractors	170 419	165 808
Advertising, marketing and public information	114 775	119 955
Construction contracts	59 090	64 688
Transport, cargo handling and warehouse management	57 013	44 035
Data processing	51 583	45 073
Direct services for beneficiaries	47 822	45 615
Professional services	37 410	35 548
Individual consultants	11 497	9 516
Translation, printing and publication	8 798	7 584
Other services	56 667	60 571
<b>Total contractual services</b>	<b>615 074</b>	<b>598 392</b>

185. 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.

186. Direct services for beneficiaries includes the provision of medical care, transportation, accommodation and other services where UNHCR contracts with service providers on behalf of displaced people in lieu of cash assistance to beneficiaries.

187. Data processing services includes costs of service providers incurred in the implementation of cloud-based software as a service solution for human resources (\$4.4 million), finance and supply chain management (\$8.2 million) and results-based management (\$1.2 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).

188. In 2022, expenses incurred in respect of support for national fundraising partners were reclassified from implementing partnership expense to contractual services: advertising, marketing and public information (see table 6.1). As a result, the prior-year comparative amounts have been restated accordingly.

189. 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)

	2022	2021 (reclassified)
<b>Distributed from inventory</b>		
Medical and hygienic supplies and apparel	160 613	178 926
Household items	94 756	64 166
Bedding materials	55 451	42 278
Construction materials and related equipment	50 276	48 772
Tents	26 232	26 344
Basic food	2 126	4 208
Other supplies and equipment	5 457	5 420
Consumables	56 343	55 773
<b>Total distributed from inventory</b>	<b>451 255</b>	<b>425 886</b>
Other changes in inventory (not yet distributed)	(1 281)	3 659
<b>Total supplies and consumables for beneficiaries</b>	<b>449 973</b>	<b>429 545</b>

190. 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.

191. In 2022, the presentation of certain inventory items other than core relief categories reflected in table 3.3.1 was modified to better reflect how these inventory items are managed. Consumable items within medical and hygienic supplies and apparel were redesignated as other supplies and equipment. Similarly, as significant quantities of consumables were held and included in the inventory valuation in 2022, all distributions of other supplies and equipment are reported as distributed from inventory. Prior-year comparative numbers were reclassified accordingly.

## 6.6 Operating expenses

Table 6.6

### Operating expenses

(Thousands of United States dollars)

	2022	2021
Rental and maintenance of premises	87 856	83 324
Security	53 099	50 322
Fuel and lubricants	37 989	32 588
Communications	35 609	37 676
Bank charges	19 230	17 180
Utilities	16 099	12 021
Guest houses	14 185	9 218
Rental and maintenance of vehicles and equipment	8 498	8 426

	2022	2021
Insurance	4 637	4 299
Other operating expenses	17 133	14 444
<b>Total operating expenses</b>	<b>294 335</b>	<b>269 498</b>

192. 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)

	2022	2021
Equipment and related supplies	94 883	79 498
Software and licences	13 284	11 036
General office supplies	16 281	12 599
Furniture and fixtures	11 084	8 095
Property, plant and equipment transferred	7 992	7 497
Buildings (non-capitalizable)	4 816	2 695
Vehicles and workshop supplies	4 469	9 958
Alterations and improvements	975	666
<b>Total equipment and supplies</b>	<b>153 784</b>	<b>132 045</b>

193. 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

194. Travel expenses increased to \$77.9 million in 2022 from \$42.1 million in 2021 owing to the further easing of restrictions related to the COVID-19 pandemic. In 2019, the last year unaffected by the pandemic, travel expenses were \$72.5 million.

## 6.9 Depreciation, amortization and impairment

Table 6.9

### Depreciation, amortization and impairment

(Thousands of United States dollars)

	2022	2021
Depreciation of property, plant and equipment	35 183	41 277
Impairment of property, plant and equipment	1 174	801
Amortization of intangible assets	10 847	11 508
<b>Total depreciation and amortization</b>	<b>47 204</b>	<b>53 586</b>

## 6.10 Other expenses

Table 6.10

### Other expenses

(Thousands of United States dollars)

	2022	2021
Seminars and workshops	18 383	8 419
Bad debt expense	9 275	6 571
Training	7 983	6 192
Miscellaneous expenses	(4 744)	2 051
<b>Total other expenses</b>	<b>30 896</b>	<b>23 234</b>

195. In 2022, miscellaneous expenses were offset by \$7.6 million in releases of miscellaneous aged liabilities no longer expected to result in an outflow of resources.

## 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 2022</i>	<i>Realized (gain)/loss</i>	<i>Unrealized (gain)/loss</i>	<i>Total 2021</i>
Accounts payable	(7 154)	477	(6 677)	(3 382)	1 374	(2 008)
Contributions receivable	55 136	59 467	114 603	(29 691)	107 811	78 120
Cash and investments	(40 841)	36 926	(3 915)	(15 599)	26 793	11 194
Other	16 400	2 301	18 701	11 276	(1 194)	10 082
<b>Total foreign exchange (gains) and losses</b>	<b>23 541</b>	<b>99 171</b>	<b>122 712</b>	<b>(37 396)</b>	<b>134 784</b>	<b>97 388</b>

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 2022</i>	<i>Realized (gain)</i>	<i>Realized loss</i>	<i>Total 2021</i>
Accounts payable	(49 810)	42 656	(7 154)	(26 388)	23 006	(3 382)
Contributions receivable	(33 792)	88 928	55 136	(44 675)	14 984	(29 691)
Cash and investments	(108 744)	67 903	(40 841)	(76 708)	61 109	(15 599)
Other	(7 528)	23 928	16 400	(5 803)	17 079	11 276
<b>Total realized foreign exchange (gains) and losses</b>	<b>(199 874)</b>	<b>223 415</b>	<b>23 541</b>	<b>(153 574)</b>	<b>116 178</b>	<b>(37 396)</b>

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 2022</i>	<i>Unrealized (gain)</i>	<i>Unrealized loss</i>	<i>Total 2021</i>
Accounts payable	(497)	974	477	(1 147)	2 520	1 374
Contributions receivable	(55 183)	114 649	59 467	(10 708)	118 519	107 811
Cash and investments	(21 466)	58 392	36 926	(34 027)	60 821	26 793
Other	(23 742)	26 043	2 301	(21 191)	19 997	(1 194)
<b>Total unrealized foreign exchange (gains) and losses</b>	<b>(100 888)</b>	<b>200 058</b>	<b>99 170</b>	<b>(67 074)</b>	<b>201 857</b>	<b>134 783</b>

196. In 2022, the unrealized exchange losses of \$99.2 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 2022 (primarily the Swedish krona, the Danish krone, the Australian dollar and the Canadian dollar).

#### Note 7

##### Statement of comparison of budget and actual amounts

197. 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).

198. 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 2022 is presented below.

Table 7.1  
**Statement of comparison of budget expenditure and actual amounts**

(Thousands of United States dollars)

	2022
<b>Actual amount on a comparable basis (statement V)</b>	<b>5 607 083</b>
<b>Basis differences</b>	
Inventory	(129 543)
Inventory obsolescence	(21 281)
Employee benefits funding	(114 176)
Elimination of inter-segment expenses	(70 211)
Implementing partner expenditure current year	(38 049)
Implementing partnership refunds and adjustments for prior-year projects	(2 131)
Property, plant and equipment, and intangible assets	(32 368)
Depreciation and amortization of property, plant and equipment, and intangible assets	28 889
Commitments (excluding those dealt with elsewhere under entity or basis differences)	(866)
Bad debt expense	2 591
Other	(3 196)
<b>Total basis differences</b>	<b>(380 341)</b>
<b>Entity differences</b>	
Staff Benefits Fund	86 244
Medical Insurance Plan	11 635
Working Capital and Guarantee Fund	8 572
Self-Financing Activities Fund	28 496
<b>Total entity differences</b>	<b>134 947</b>
<b>Total expenses</b>	<b>5 361 689</b>

199. Explanations of material differences between the original budget and the final budget and the actual amounts are presented in section D of chapter IV above.

Table 7.2  
**Reconciliation of balance of available funds with operating cash flow**

(Thousands of United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total 2022</i>
<b>Balance of available funds</b>	<b>573 196</b>	–	–	<b>573 196</b>
Basis differences	11 286	(117 917)	–	(106 631)
Entity differences	(21 083)	–	–	(21 083)
<b>Net increase/(decrease) in cash and cash equivalents from the statement of cash flow</b>	<b>563 399</b>	<b>(117 917)</b>	–	<b>445 482</b>

**Note 8**  
**Segment reporting**

**8.1 Statement of financial position by segment as at 31 December 2022**

Table 8.1.1

**Statement of financial position by geographic segment as at 31 December 2022**

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2022</i>
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	19 774	59 768	13 758	51 764	81 115	36 854	16 389	1 313 025	1 592 447
Investments	–	–	–	–	–	–	–	715 000	715 000
Contributions receivable – current	–	–	–	–	–	–	–	1 257 631	1 257 631
Inventories	31 938	89 331	7 670	75 599	49 151	122 458	12 774	75 705	464 625
Other current assets	12 774	40 021	4 271	45 111	30 674	63 554	18 829	83 663	298 897
<b>Total current assets</b>	<b>64 487</b>	<b>189 119</b>	<b>25 699</b>	<b>172 474</b>	<b>160 939</b>	<b>222 867</b>	<b>47 992</b>	<b>3 445 023</b>	<b>4 328 601</b>
<b>Non-current assets</b>									
Contributions receivable – non-current	–	–	–	–	–	–	–	752 760	752 760
Property, plant and equipment	9 608	33 486	7 582	15 081	11 297	7 493	2 324	147 377	234 248
Intangible assets	–	–	–	29	–	–	–	24 067	24 096
<b>Total non-current assets</b>	<b>9 608</b>	<b>33 486</b>	<b>7 582</b>	<b>15 110</b>	<b>11 297</b>	<b>7 493</b>	<b>2 324</b>	<b>924 204</b>	<b>1 011 104</b>
<b>Total assets</b>	<b>74 094</b>	<b>222 605</b>	<b>33 281</b>	<b>187 584</b>	<b>172 236</b>	<b>230 360</b>	<b>50 317</b>	<b>4 369 228</b>	<b>5 339 704</b>
<b>Liabilities</b>									
<b>Current liabilities</b>									
Accounts payable and accruals	10 038	21 655	3 115	61 880	27 895	60 295	15 198	128 325	328 401
Employee benefits – current	–	–	–	–	–	–	–	173 574	173 574
Other current liabilities	–	–	–	–	–	–	–	10 702	10 702
Provisions	–	–	–	–	–	–	–	5 526	5 526
<b>Total current liabilities</b>	<b>10 038</b>	<b>21 655</b>	<b>3 115</b>	<b>61 880</b>	<b>27 895</b>	<b>60 295</b>	<b>15 198</b>	<b>318 126</b>	<b>518 202</b>

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2022</i>
<b>Non-current liabilities</b>									
Employee benefits – non-current	–	–	–	–	–	–	–	947 720	947 720
Provisions	–	–	–	–	–	–	–	94	94
<b>Total non-current liabilities</b>	–	–	–	–	–	–	–	<b>947 814</b>	<b>947 814</b>
<b>Total liabilities</b>	<b>10 038</b>	<b>21 655</b>	<b>3 115</b>	<b>61 880</b>	<b>27 895</b>	<b>60 295</b>	<b>15 198</b>	<b>1 265 939</b>	<b>1 466 015</b>
<b>Net assets</b>	<b>64 056</b>	<b>200 950</b>	<b>30 167</b>	<b>125 704</b>	<b>144 341</b>	<b>170 065</b>	<b>35 119</b>	<b>3 103 288</b>	<b>3 873 689</b>

Table 8.1.2  
**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>
<b>Assets</b>									
<b>Current assets</b>									
Cash and cash equivalents	15 311	57 798	8 710	51 606	53 074	14 745	14 027	968 621	1 183 891
Investments	–	–	–	–	–	–	–	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	12 489	84 380	264 571
<b>Total current assets</b>	<b>55 393</b>	<b>172 310</b>	<b>24 484</b>	<b>218 932</b>	<b>94 784</b>	<b>37 951</b>	<b>38 088</b>	<b>2 895 159</b>	<b>3 537 100</b>
<b>Non-current assets</b>									
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
<b>Total non-current assets</b>	<b>10 481</b>	<b>33 484</b>	<b>6 915</b>	<b>16 127</b>	<b>6 086</b>	<b>1 841</b>	<b>2 237</b>	<b>979 381</b>	<b>1 056 553</b>
<b>Total assets</b>	<b>65 874</b>	<b>205 794</b>	<b>31 399</b>	<b>235 059</b>	<b>100 870</b>	<b>39 793</b>	<b>40 325</b>	<b>3 874 540</b>	<b>4 593 653</b>
<b>Liabilities</b>									
<b>Current liabilities</b>									
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
<b>Total current liabilities</b>	<b>8 654</b>	<b>29 711</b>	<b>4 586</b>	<b>80 921</b>	<b>26 350</b>	<b>9 437</b>	<b>10 122</b>	<b>271 866</b>	<b>441 646</b>
<b>Non-current liabilities</b>									
Employee benefits	–	–	–	–	–	–	–	1 328 789	1 328 789
Provisions	–	–	–	–	–	–	–	94	94
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1 328 883</b>	<b>1 328 883</b>
<b>Total liabilities</b>	<b>8 654</b>	<b>29 711</b>	<b>4 586</b>	<b>80 921</b>	<b>26 350</b>	<b>9 437</b>	<b>10 122</b>	<b>1 600 748</b>	<b>1 770 529</b>
<b>Net assets</b>	<b>57 219</b>	<b>176 083</b>	<b>26 814</b>	<b>154 138</b>	<b>74 520</b>	<b>30 355</b>	<b>30 203</b>	<b>2 273 792</b>	<b>2 823 124</b>

## 8.2 Statement of financial performance by segment for the year ended 31 December 2022

Table 8.2.1

### Statement of financial performance by geographic segment as at 31 December 2022

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2022</i>
<b>Revenue</b>									
Voluntary contributions	354 088	664 599	155 030	988 841	460 850	821 531	281 988	2 204 443	5 931 369
United Nations regular budget	–	–	–	–	–	–	–	84 378	84 378
Interest revenue	72	402	67	27	1 023	161	246	24 061	26 060
Other revenue	4 099	9 963	2 032	4 910	3 612	1 483	1 377	3 274	30 750
<b>Total revenue</b>	<b>358 259</b>	<b>674 964</b>	<b>157 129</b>	<b>993 778</b>	<b>465 485</b>	<b>823 175</b>	<b>283 610</b>	<b>2 316 157</b>	<b>6 072 558</b>
<b>Expenses</b>									
Implementing partnership expenses	153 680	329 978	66 723	343 151	194 734	140 331	128 546	35 883	1 393 025
Salaries and employee benefits	142 709	278 587	84 246	219 856	147 944	137 701	112 111	288 136	1 411 292
Cash assistance to beneficiaries	9 473	26 557	6 872	302 200	95 258	430 823	13 525	3 461	888 168
Contractual services	23 754	83 647	18 459	110 464	38 458	53 719	55 028	231 546	615 075
Supplies and consumables for beneficiaries	42 458	137 357	15 330	104 038	84 822	75 017	23 289	(32 336)	449 974
Operating expenses	38 492	88 198	17 257	68 966	29 769	29 659	17 495	4 498	294 335
Equipment and supplies	10 661	36 411	7 077	18 025	35 108	25 474	20 277	752	153 784
Travel expenses	8 642	13 645	5 138	7 816	6 849	13 116	9 342	13 389	77 937
Depreciation, amortization and impairment	2 058	6 605	1 396	3 197	1 374	982	656	30 936	47 204
Other expenses	2 518	5 290	495	(48)	1 204	7 962	2 116	11 359	30 896
<b>Total expenses</b>	<b>434 444</b>	<b>1 006 276</b>	<b>222 995</b>	<b>1 177 665</b>	<b>635 519</b>	<b>914 782</b>	<b>382 384</b>	<b>587 623</b>	<b>5 361 689</b>
Foreign exchange (gains)/losses	2 268	3 192	446	423	7 341	15 200	1 615	92 227	122 712
<b>Surplus/(deficit) for the year</b>	<b>(78 452)</b>	<b>(334 505)</b>	<b>(66 312)</b>	<b>(184 310)</b>	<b>(177 376)</b>	<b>(106 807)</b>	<b>(100 389)</b>	<b>1 636 307</b>	<b>588 157</b>

Table 8.2.2  
**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 2021 (reclassified)</i>
<b>Revenue</b>									
Voluntary contributions	239 399	602 875	114 043	989 532	532 561	207 192	282 990	2 218 621	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
<b>Total revenue</b>	<b>243 441</b>	<b>612 996</b>	<b>115 849</b>	<b>993 835</b>	<b>536 293</b>	<b>208 627</b>	<b>284 388</b>	<b>2 258 776</b>	<b>5 254 206</b>
<b>Expenses</b>									
Implementing partner expenses	148 055	316 519	62 928	349 051	158 858	84 901	153 018	36 706	1 310 037
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
Supplies and consumables for beneficiaries	22 588	75 189	17 025	103 819	49 247	32 599	52 422	245 502	598 392
Contractual services	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
<b>Total expenses</b>	<b>456 505</b>	<b>934 588</b>	<b>212 036</b>	<b>1 298 997</b>	<b>473 455</b>	<b>345 991</b>	<b>392 870</b>	<b>577 910</b>	<b>4 692 352</b>
Foreign exchange (gains)/losses	2 250	3 552	(128)	3 606	6 996	3 867	1 006	76 238	97 386
<b>Surplus/(deficit) for the year</b>	<b>(215 314)</b>	<b>(325 144)</b>	<b>(96 059)</b>	<b>(308 768)</b>	<b>55 842</b>	<b>(141 230)</b>	<b>(109 488)</b>	<b>1 604 628</b>	<b>464 468</b>

200. 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.

201. 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 2022 of \$13.6 million. Inter-fund charges and revenue in respect of the Self-Financing Activities Fund amounted to \$50.9 million in 2022. They are included under the headquarters/global programmes/other column in tables 8.2.1 and 8.2.2.

### 8.3 Long-lived asset additions by segment

Table 8.3

#### Long-lived asset additions by geographic segment

(Thousands of United States dollars)

	<i>Property, plant and equipment</i>	<i>Intangible assets</i>	<i>Total 2022</i>	<i>Property, plant and equipment</i>	<i>Intangible assets</i>	<i>Total 2021</i>
West and Central Africa	1 160	–	1 160	4 340	–	4 340
East Africa, Horn of Africa and Great Lakes Region	7 382	–	7 382	5 655	–	5 655
Southern Africa	1 132	–	1 132	1 613	–	1 613
Middle East and North Africa	3 244	–	3 244	5 534	61	5 596
Asia and the Pacific	4 729	–	4 729	1 729	–	1 729
Europe	4 794	–	4 794	537	–	537
The Americas	3 300	–	3 300	2 159	–	2 159
Headquarters/global programmes/other	42 524	6 487	49 010	31 027	1 784	32 811
<b>Total</b>	<b>68 265</b>	<b>6 487</b>	<b>74 751</b>	<b>52 595</b>	<b>1 845</b>	<b>54 440</b>

### Note 9

#### Commitments and contingencies

### 9.1 Leases

Table 9.1

#### Obligations for operating leases

(Thousands of United States dollars)

	<i>2022</i>	<i>2021</i>
Under 1 year	42 903	36 045
1–5 years	44 614	50 796
Beyond 5 years	9 511	9 500
<b>Total obligations for operating leases</b>	<b>97 028</b>	<b>96 341</b>

202. 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.

203. As at 31 December 2022, UNHCR did not have any finance leases. Operating leases included \$14.5 million of lease obligations without a diplomatic clause.

## 9.2 Commitments

204. As at 31 December 2022, 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)

	2022	2021
Assets and supplies	206 798	349 064
Services	182 695	175 344
Instalments due against partnership agreements	101 941	73 153
Operating expenses	47 406	47 845
Consultants	3 500	3 164
Other commitments	8 253	5 875
<b>Total open commitments</b>	<b>550 593</b>	<b>654 447</b>

205. The decrease in 2022 of total open commitments is attributable primarily to a reduction in the procurement of medical supplies, equipment, construction contracts and transportation and cargo handling for COVID-19-related needs compared with the levels required in 2021.

206. Multi-year commitments through 2026 of \$20.1 million to secure information technology services are reflected in table 9.2.

## 9.3 Legal or contingent liabilities

207. 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.

208. As at 31 December 2022, there were 17 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 \$1.8 million.

209. There are 46 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 \$30.1 million.

210. A former contractor has filed a court claim 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.

**Note 10**  
**Related party disclosures**

211. The key management personnel of UNHCR are the High Commissioner, the Deputy High Commissioner, the two Assistant High Commissioners and the Controller, as they have the authority and responsibility for planning, directing and controlling the activities of UNHCR.

Table 10  
**Related party disclosures**

(Thousands of United States dollars)

	<i>Number of posts filled</i>	<i>Compensation and post adjustments</i>	<i>Entitlements</i>	<i>Pension and health plans</i>	<i>Total remuneration</i>	<i>Outstanding advances against entitlements</i>
Key management personnel, 2022	5	1 234	60	308	1 602	59

212. 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.

213. 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.

214. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

**Note 11**  
**Events after the reporting date**

215. The reporting date for the Office of the United Nations High Commissioner for Refugees is 31 December of each year. At the date of signing these financial statements, 31 March 2023, other than as referred to above, no material events, favourable or unfavourable, have occurred that would have impacted the present statements.

216. The financial statements were approved on 31 March 2023 and submitted to the Board of Auditors for opinion. No one other than UNHCR has the authority to amend these financial statements.

