



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 2020

and

Report of the Board of Auditors

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



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High Commissioner for Refugees**

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Report of the Board of Auditors



United Nations • New York, 2021

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 2021 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 2020, certified and approved in accordance with article 11.3 of those rules ([A/AC.96/503/Rev.10](#)).

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the organization, the following representations in connection with your audit of the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2020:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All of the accounting records and related information have been made available for the purposes of your audit, and all of the transactions that occurred in the financial period have been properly reflected in the financial statements and recorded by the organization in the accounting and other records.
2. The financial statements have been prepared and presented in accordance with:
 - (a) The International Public Sector Accounting Standards (IPSAS);
 - (b) The Financial Regulations of the United Nations;
 - (c) The financial rules for voluntary funds administered by the High Commissioner for Refugees;
 - (d) The accounting policies of the organization, as summarized in note 2 to the financial statements.
3. The property, plant and equipment, the intangible assets and the inventories disclosed, respectively, in notes 3.5, 3.6 and 3.3 to the financial statements are owned by the organization and are free from any charge.
4. The value of cash, cash equivalents and investments recorded is not impaired and, in our opinion, is fairly stated.
5. All material accounts receivable are included in the financial statements and represent valid claims against debtors. Apart from the estimated uncollectable amounts, recorded under the allowance for doubtful accounts, we expect all significant accounts receivable at 31 December 2020 to be collected.
6. All known accounts payable and accruals have been included in the financial statements.

7. The commitments of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the acquisition of goods and services, as well as the capital commitments contracted but not delivered as at 31 December 2020, are disclosed in note 9.2 of the financial statements. Commitments for future expenses are not recognized as liabilities.

8. All known legal or contingent liabilities as at 31 December 2020 are disclosed in note 9.3 of the financial statements.

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

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

11. Disclosures were made in the financial statements of all matters necessary to 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 2020 that necessitate revision of the information presented in the financial statements thereto.

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

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

**Letter dated 22 July 2021 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 2020.

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

Chapter I

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

Opinion

We have audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, which comprise the statement of financial position (statement I) as at 31 December 2020 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 2020 and the financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The United Nations High Commissioner for Refugees is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2020 and the statement of internal controls, both contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

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

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

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

The United Nations High Commissioner for Refugees is responsible for the preparation and fair presentation of the financial statements in accordance with

IPSAS and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

(d) Draw conclusions concerning the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the voluntary funds administered by the United Nations High Commissioner for Refugees to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events

or conditions may cause the voluntary funds administered by the High Commissioner to cease to continue as a going concern;

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

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

Report on other legal and regulatory requirements

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

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

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

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

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

22 July 2021

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 2020. 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 2020 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 2020, the total revenue significantly increased compared with 2019. As in prior years, the liquidity is affected by the inclusion of donor commitments and agreements made for future years.

In 2020, UNHCR launched an emergency response to the coronavirus disease (COVID-19) pandemic through the Global Humanitarian Response Plan for COVID-19. UNHCR determined total requirements of \$745.0 million for the COVID-19 response, of which 63 per cent were funded by the end of December.

At the same time, other emergency situations evolved, while others continued and were perpetuated. A steadily increasing number of persons of concern pose continuous challenges for the organization.

UNHCR continued on its path of parallel reform initiatives with challenges to the organization and its workforce. In particular, the finalization of the decentralization and regionalization process, a business transformation programme and reform of the budgeting and results-based management processes require attention and prudent management.

Financial overview

The voluntary contributions increased, by \$734.0 million (17.9 per cent), to \$4,827.8 million and represented 98.7 per cent of the organization's total revenues of \$4,891.6 million. The expenses increased by \$174.2 million and amounted to \$4,432.5 million. The increase resulted mainly from increased expenses for supplies and consumables for beneficiaries (\$52.3 million), increased implementing partner expenses (\$47.2 million) and increased salaries and employee benefits (\$43.6 million). Travel expenses decreased by \$43.9 million. The 2020 surplus amounted to \$554.4 million, compared with a deficit of \$75.1 million in 2019.

UNHCR maintains a high ratio of current assets to meet its current liabilities. However, the strong appearance of its liquidity is significantly affected by the inclusion of \$1,045.2 million in donor agreements made for future years. There also remain constraints with regard to using resources. Unrestricted funds represented only 11 per cent of 2020 contributions.

Furthermore, there remains a heavy reliance on a limited number of donors, given that 79 per cent of 2020 contributions were derived from 10 donors, with 1 donor accounting for more than 40 per cent of all contributions.

Key findings

COVID-19 response

The COVID-19 pandemic represents an unprecedented worldwide health crisis that has also led to a protection crisis with regard to persons of concern to UNHCR. UNHCR declared a level-2 emergency to respond to the pandemic and appealed for extra funding in amount of \$0.75 billion.

In addition to carrying out other activities, UNHCR identified an increased need for hygiene and certain medical items, in particular, personal protective equipment. The Board found that needs assessment, receipt and distribution of the items were not aligned in most of the cases reviewed. The Board noted that the country operations did not make use of distribution plans and, in most of the cases reviewed, could not provide an overview of the items distributed, planned for distribution and available on stock.

Decentralization and regionalization

Building on the audit performed in 2020, the Board found that the review of the framework of roles, accountabilities and authorities was still continuing. UNHCR identified a need to revisit the three-lines-of-defence model. The Board noted that a draft road map to steer the decentralization and regionalization process was in principle endorsed, but that the due dates and steps had not been achieved as indicated and that the main task of the alignment of headquarters divisions had not yet been included in the road map.

Budget and finance

For more than 10 years, pillars have formed the highest level of the UNHCR comprehensive results-based budget and accounting structure. The pillars are defined in the financial rules of UNHCR. Pillar 1 represents the Global Refugee Programme, pillar 2 represents the Global Stateless Programme, pillar 3 represents Global Reintegration Projects and pillar 4 represents Global Internally Displaced Persons Projects.

In connection with the results-based management reform project, UNHCR proposed the replacement of the pillar structure with impact areas. The Executive Committee acknowledged the replacement, endorsed a revision of the financial rules with effect from 1 January 2022 and requested the High Commissioner to ensure the quality of the budgetary information. The Board shares the concerns raised by the governing bodies that the amendment of the budgetary structure and the financial rules requires assurance that the proposed new impact areas fulfil the requirements of transparency and quality, in particular in the financial reporting.

As part of its internal control system, UNHCR established an expense variance analysis of the country operations grouped under the seven regional bureaux. The Board found that the granular information on some 130 country operations was of limited assistance for analysing the overall UNHCR account balances, despite its intent for UNHCR to identify unusual patterns that could be representative of an error. The Board holds that the variance analysis could be further enhanced by including benchmarks and by analysing the accumulated financial information at the headquarters level.

The Board found that significant amounts of receivables from disbursement agreements with the United Nations Office for Project Services (UNOPS) were carried forward as open items over periods of more than one year. Country operations did not pursue refund claims or closure of the items. The Board noted that current UNHCR processes led to uneconomical amounts of pre-financing.

Cash assistance to beneficiaries

The Board reviewed the data quality checks that country operations had conducted prior to the transmission of cash payment lists to financial service providers. The Board observed shortcomings in the documentation of the data quality checks. The Board holds that UNHCR should use unique identifiers for all households supported and should enhance the documentation of such checks.

The Board identified a need for improvement in end-to-end data management in the UNHCR cash assistance management system (CashAssist). The problems related mainly to a lack of integrated processing of cash payment lists transmitted to the financial service provider through an application programming interface. The Board found that the financial service provider communicated a failed payment status for successfully processed transactions, which resulted in duplicate and triplicate payment attempts.

The Board found shortcomings in the applicable guidance for the determination of cash transfer values. Country operations paid lump-sum amounts to the receiving households, which led to inequities, depending on family size. The guidance did not cover UNHCR organizational specifics, nor did it define responsibilities for the cash transfer value determination in the country operations. The Board found that the regional bureaux could play a role in disseminating and supporting the market price information and analysis of country operations in their region.

Implementing partnership management

The Board noted a lack of consolidated, comprehensive guidance material on implementing partnership management processes. At the time of the audit, the partnership-related instructions were spread over several documents. The Board holds that a consolidated set of guidance material, in which existing regulations on partnership management across multiple years are summarized in one place and in a condensed manner, would make the processes more transparent and would simplify everyday operations.

Partner personnel constitute a significant part of overall implementing partner expenses, and the inherent risks need to be mitigated appropriately. The Board found that the new results-based management processes require a revision of the UNHCR personnel monitoring and reporting mechanisms, which would provide an opportunity to embed the enhanced tools in the upcoming guidance material.

Human resources management

Effective workforce management is the counterpart to financial planning and should ensure the cost-effective use of personnel. The Board reviewed UNHCR efforts related to workforce planning and identified critical areas that UNHCR needs to strengthen in the future.

The Board found shortcomings in the applicability of the functionality of the newly developed UNHCR workforce planning dashboards for human resources planning. The Board holds that the functionalities of the dashboards do not fully comply with the need of all the operations involved. For example, key indicators for benchmark purposes, used to assess whether operations are adequately staffed compared with other operations, are missing.

The Board noted that UNHCR has not yet issued a strategic workforce planning framework, in which the UNHCR strategical approach to planning its workforce would be outlined. In the Board's opinion, a workforce planning strategy is essential for an organization to formalize and standardize a systematic workforce planning process.

The Board identified that country operations did not conduct any analysis to evaluate the workforce supply and the future workforce demand. The Board considers it crucial that country operations conduct such analysis in order to understand how many people it takes to accomplish the work. The Board holds that UNHCR should provide broader guidance on conducting supply and demand analyses to its country operations.

Global fleet management

In order to enhance vehicle efficiency and operability, global fleet management introduced data capture tools, as well as structured methods of data monitoring and analysis. The recorded data is the basis to determine the vehicle sizes that are appropriate for the operations requirements. Hence, the analysis of operating data is aimed at identifying vehicles that are ready for disposal or replacement, as well as additional vehicles required. To achieve the appropriate implementation of measures derived from the data analysis, the data must be captured completely and of sufficient quality.

The Board identified overall poor quality of data or missing entries in a significant number of fleet management data sets. Therefore, the Board holds that UNHCR should improve the recording of data and needs to optimize tools for data capture. The new fleet strategy 2021–2025 must include clearly defined progress levels with regard to the quality and quantity of operational data.

Business transformation programme

Under the business transformation programme, UNHCR began to explore and introduce new ways of working with modern tools such as cloud technology to support back-office processes. The business transformation programme is part of a larger UNHCR transformation strategy and has a multi-year time horizon.

The Board found that the budget of the programme increased by some 14 per cent, from about \$82 million to \$95 million, in the first quarter of 2021. The Board noted the complexity of the programme in view of a best-of-breed solution, as well as the involvement of numerous external providers, which needs to be coordinated. The Board holds that the upcoming planning and implementation phases of the programme should be focused on a coordinated overview of the programme budget.

The Board noted that risks related to the business transformation programme were not sufficiently considered in the operational and strategic risk registers. The Board found that the risks should be analysed, assessed and considered more thoroughly.

Key recommendations

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

COVID-19 response

(a) **Further improve the concerted support that headquarters and regional bureaux provide to country operations with respect to the needs-based procurement and distribution of inventory items during emergency situations such as the COVID-19 pandemic;**

Decentralization and regionalization

(b) **Prioritize the redefinition and alignment of roles and responsibilities at the regional bureaux and at headquarters entities and ensure that the roles of the redefined structures are reflected in the regulatory framework, as applicable;**

Budget and finance

(c) **Continue to review the impact of the changes to its budgetary structure on management efficiencies, analyse the benefits of the changes proposed and provide assurance that the proposed budgetary structure meets the requirements of transparency and quality;**

(d) **Perform an organizational variance analysis at the aggregate financial statement level for both the statement of financial performance and the statement of financial position, complemented by inputs from the regional bureaux and relevant benchmarks for identified significant variances;**

(e) **Design its new enterprise resource planning system and finance and supply chain management systems to simplify the recording of UNOPS transactions, facilitate timely open item reconciliations and minimize the need for significant pre-financing of UNOPS agreements;**

Cash assistance to beneficiaries

(f) **Use unique identifiers in payment lists and improve the quality control of the underlying data of persons of concern to enhance the clarity of the lists and to avoid duplication;**

(g) **Develop a technical support solution to improve connectivity between financial service providers and CashAssist and to ensure that significant systematic errors in the application programming interface for CashAssist can be detected earlier and fixed more easily;**

(h) **Issue guidelines for the calculation of cash transfer values that give operations the flexibility to define the best approach for calculating the transfer values on the basis of their operational context, with the involvement of the regional bureaux;**

Implementing partnership management

(i) **Consolidate and complement the guidance material on the implementing partnership management processes in one comprehensive repository, which should include clear approval responsibility at the regional bureaux for granting extensions of implementation/liquidation periods;**

(j) **Provide enhanced instructions and training to programme and project control staff on the mitigation of partner personnel-related financial risks in the upcoming comprehensive guidance material;**

Human resources management

(k) **Further improve the use of enhanced data analytics for additional dashboard reports and data analytics and define key indicators to assess whether operations are adequately staffed compared with other operations;**

(l) **Establish a workforce planning strategy laid down in a comprehensive workforce planning framework to improve such planning as a matter of priority;**

(m) **Encourage country operations to conduct supply and demand analysis and to develop staffing review toolkits to support operations in reviewing their staffing needs;**

Global fleet management

(n) **Take measures to ensure that operations perform regular verifications of FleetWave data with regard to the quantity and quality of data entries, identify the reasons for deviations and correct erroneous data;**

(o) **Optimize the FleetWave tool to avoid faulty data recording and to enhance usability;**

Business transformation programme

(p) **Focus on the coordinated oversight and monitoring of the business transformation programme budget and on controlling costs during the upcoming planning and implementation phases;**

(q) **Carry out a comprehensive risk assessment of financial and technical risks for the entire business transformation programme and include those risks in the strategic risk register.**

Previous recommendations

As at 30 May 2021, out of the 100 recommendations made for 2019 and previous years, 56 (56 per cent) had been implemented, 35 (35 per cent) remained under implementation and 9 (9 per cent) had not been implemented or had been overtaken by events (see annex). The Board welcomes the overall progress made in implementing prior years' recommendations.

Key facts

\$9.13 billion	Final budget based on a global needs assessment
\$4.89 billion	Revenue reported (including \$1.05 billion for future years)
\$4.43 billion	Expenses incurred in 2020
\$0.75 billion	COVID-19 budget
91.9 million	Persons of concern to UNHCR
17,878	UNHCR staff (including 4,542 affiliates)
132	Countries of operation, with 520 offices

A. Mandate, scope and methodology

1. In 2020, the Office of the United Nations High Commissioner for Refugees (UNHCR) provided protection and assistance to approximately 91.9 million persons forcibly displaced within or outside their countries of origin. It is a devolved organization with more than 17,878 staff working in 520 offices located in 132 countries. Its mandate encompasses delivering support to long-term and protracted situations and responding to humanitarian emergencies. Large-scale displacements of people have continued amid the coronavirus disease (COVID-19) pandemic, which added another layer of crisis to the already existing ones. More than 650,000 people were displaced in the central Sahel in 2020. Violence in northern Mozambique and Nicaragua forced hundreds of persons of concern to UNHCR to flee. The humanitarian situation across the Tigray region was deeply concerning for refugees, internally displaced persons and host communities. Other crises, such as those in Afghanistan, Somalia and the Syrian Arab Republic and that faced by the Rohingya in Bangladesh and Myanmar, remain protracted.

2. UNHCR is funded almost entirely by voluntary contributions, representing \$4.83 billion of total revenues of \$4.89 billion. Recognized revenue from donor agreements included \$1.05 billion relating to future years. Total expenses were \$4.43 billion.

3. The Board audited the financial statements of UNHCR and reviewed its operations for the financial year ended 31 December 2020 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations of the United Nations, the financial rules for the voluntary funds administered by the United Nations High Commissioner for Refugees and, where applicable, the Financial Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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 2020 and its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations

(ST/SGB/2013/4) and the financial rules for the voluntary funds administered by the High Commissioner for Refugees (A/AC.96/503/Rev.10). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

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 the UNHCR response to COVID-19, finance, reform initiatives, cash assistance to beneficiaries, workforce planning, implementing partner management, global fleet management and the business transformation programme.

6. During the course of the audit, the Board visited UNHCR headquarters in Geneva and the offices in Budapest and Copenhagen virtually owing to the COVID-19 pandemic and travel restrictions. The Board examined virtually field operations in Chad, the Niger, Pakistan, Rwanda and Yemen. The Board adjusted its processes of analysis and utilized alternative audit procedures to obtain reasonable audit assurance. It is the Board's view that the remote audit was performed as an exception under unique circumstances and should not be viewed as a standard occurrence in future audits. The Board continued to work collaboratively with the Office of Internal Oversight Services (OIOS) to provide coordinated coverage. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's report was discussed with UNHCR management, whose views have been appropriately reflected.

B. Findings and recommendations

1. Previous recommendations

7. The Board noted that, out of 100 outstanding recommendations up to the financial year ended 31 December 2019, 64 recommendations (64 per cent) had been implemented or overtaken by events and 35 recommendations (35 per cent) are considered to be under implementation. Details of the status of implementation of the 100 recommendations are shown in table II.1 and the annex to the present report.

Table II.1

Status of implementation of previous recommendations

<i>Year</i>	<i>Total</i>	<i>Fully implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
2017	13	11	2	–	–
2018	32	22	6	1	3
2019	55	23	27	0	5
Total	100	56	35	1	8
Percentage	100	56	35	1	8

8. Out of the 35 recommendations under implementation, 27 relate to 2019, 6 relate to 2018 and 2 relate to 2017. The Board sees continuing progress in implementing recommendations that are pending. The Board welcomes the overall progress made in implementing and closing older recommendations. Some recommendations under

implementation relate to projects and initiatives that are still being rolled out or developed, such as the implementation of the revised results-based management system and a new enterprise resource planning system.

2. Financial overview

9. Net assets increased by 17.7 per cent, to \$2.48 billion, in 2020. Accumulated fund balances and reserves amounted to \$3.08 billion (2019: \$2.56 billion) and included cash and investments of \$1.66 billion (2019: \$1.31 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 \$1.05 billion in donor agreements made for future years (see chap. IV, para. 28). 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 2020	31 December 2019	31 December 2018	31 December 2017	31 December 2016
Current ratio ^a (current assets: current liabilities)	9.0	7.9	9.5	9.9	8.1
Total assets: total liabilities ^b	2.6	2.7	3.4	3.0	2.7
Cash ratio ^c (cash + investments: current liabilities)	4.3	3.7	4.0	4.3	4.0
Quick ratio ^d (cash + investments + short-term accounts receivable: current liabilities)	7.6	6.7	8.1	8.4	6.9

Source: UNHCR financial statements.

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

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

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

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

11. In 2020, total revenues increased significantly, by \$708.5 million. Voluntary contributions represented 98.7 per cent of the total revenues of UNHCR. Voluntary contributions increased by 17.9 per cent, to \$4,827.8 million (2019: \$4,093.8 million).

12. Expenses (excluding foreign exchange gains/losses) slightly increased, by 4.1 per cent, or \$174.2 million, and amounted to \$4,432.5 million (2019: \$4,258.3 million). Foreign exchange gains increased by \$95.2 million, resulting in a surplus of \$554.4 million, compared with a deficit of \$75.1 million in 2019.

13. Main expense increases pertained to supplies and consumables to beneficiaries (\$52.3 million), implementing partnership expenses (\$47.2 million), salaries and employee benefits (\$43.7 million) and cash assistance to beneficiaries (\$38.0 million). At the same time, travel expenses decreased by \$43.9 million. The increase in supplies and consumables to beneficiaries and the decrease in travel expenses were attributable to the impacts of the COVID-19 pandemic, which led to increased distribution of medical, hygiene and personal protective equipment and a

reduction in travel. The increase in salaries and employee benefits includes mainly an increase in annual leave accrual expenses (\$30.0 million). The annual leave accrual and the corresponding expenses increased mainly as a result of a reduced use of annual leave and a lifting of the cap on the number of leave days in view of the COVID-19 pandemic.

14. As in prior years, up to 80 per cent of the voluntary contributions is derived from a limited number of top donors. One of those top donors accounted for over 40 per cent of all contribution revenues as at 31 December 2020. Nearly 90 per cent of contributions to UNHCR are earmarked (see table II.3). With an overall increase of monetary contributions of 16.8 per cent, the proportion of tightly earmarked contributions increased significantly, by nine percentage points, compared with 2019. Earmarked contributions place constraints on management's ability to deploy resources flexibly and to meet demand across all areas of activity. Governments and intergovernmental organizations continued to be the major donors of UNHCR.

Table II.3

Monetary contributions by type of earmarking in 2020 and 2019

(Millions of United States dollars)

<i>Type of earmarking</i>	<i>2020</i>	<i>2019</i>	<i>2020 (percentage)</i>	<i>2019 (percentage)</i>
Earmarked	2 237	2 111	47	52
Tightly earmarked ^a	1 257	736	27	18
Softly earmarked ^b	719	502	15	12
Unearmarked	532	713	11	18
Total monetary contributions	4 745	4 062	100	100

Source: UNHCR financial statements.

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

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

3. General remarks

15. The Board observed that UNHCR continued on its path in turbulent times. The worldwide COVID-19 pandemic had a significant impact on the activities of UNHCR. At the same time, UNHCR continued and intensified its transformation processes, such as decentralization and regionalization and the business transformation programme, which posed special challenges for the organization and its workforce in 2020. In addition, UNHCR commenced a major structural reform of its budgeting process, including a revision of the financial rules. The results-based management reform initiative gained momentum and was a driving factor for the budget reform. Furthermore, UNHCR decided to upgrade from its current enterprise resource planning system and explored new grounds for implementing a cloud-based enterprise resource planning system. The business transformation programme will affect all divisions and all staff members, from donor relations through budget, programme, human resources and finance (see paras. 315 ff.). The first cornerstones of the programme were the transformation of the human resource module, in May 2020, and the results-based management system, with its first release date in January 2021.

16. The Board was affected by the COVID-19 pandemic to the extent that on-site visits were impossible. Remote audit procedures replaced the normal on-site visits. In addition to its remote financial audit work in Geneva and Budapest, the Board

conducted five virtual field visits in January and February 2021, also covering management audit topics. The Board conducted thematic interviews with the field operations in Chad, the Niger, Pakistan, Rwanda and Yemen. Thematic topics included COVID-19 response, medical items, finance, supply, cash assistance, global fleet management, human resources and implementing partners.

4. COVID-19 response

17. The COVID-19 pandemic represents an unprecedented worldwide health crisis, affecting everyone throughout the world and leading to a protection crisis that has deepened despair among many of the persons of concern to UNHCR. On 25 March 2020, UNHCR declared a level-2 emergency in response to the pandemic. The emergency situation was extended twice, in June and September 2020, to the maximum duration of nine months. The declaration of the emergency resulted, inter alia, in emergency procurement procedures, simplified partner selection processes and the additional flexibility of country teams in providing assistance.

Assistance to persons of concern in view of the pandemic

18. Through an emergency appeal in March 2020 and a revised supplementary appeal in May 2020, UNHCR communicated requirements of \$745 million for COVID-19 response. Out of the budget of \$745 million, \$404 million was required through the supplementary appeal and \$341 million was redeployed from the existing UNHCR budget, which was reprioritized and reallocated to COVID-19-related activities. By the end of December 2020, an amount of \$470 million (63 per cent) was funded against the requirements of \$745 million.

19. UNHCR modified a number of planned deliverables and activities to respond to the pandemic. UNHCR committed itself to the principle of “stay and deliver” and implemented measures to ensure the health and well-being of its staff. The organization adopted flexible measures to respond to changing operational contexts and adjusted programmes to mitigate the impact of the virus and to ensure continuity of essential protection and assistance services.

20. Programme activities included life-saving measures; strengthening national health and sanitation systems through the increased provision of personal protective equipment, medicine, soap and other hygiene supplies; ramping up cash assistance for vulnerable displaced families experiencing economic shocks; improving shelters in crowded settlements to prevent human-to-human transmission; and providing a multiple months’ supply of aid and sanitation items.

21. Other activities included strengthening the dissemination of life-saving information and communication through existing and strengthened community networks. Protection and assistance were scaled up and adapted to include child protection and sexual and gender-based violence services. Advocacy efforts were enhanced to ensure that health, psychosocial support and safety services were designated as essential and remained accessible to forcibly displaced and stateless persons.

22. Throughout 2020, UNHCR provided off-site support to country operations to further strengthen their risk management capacity and focus discussion on high-risk areas. Integrity risks received special attention, with the delivery of dedicated training sessions on topics such as fraud assessment and prevention. In addition, the development of thematic risk tools addressing high-risk areas (such as cash-based interventions, implementing partners, procurement and sexual exploitation and abuse) was established to help field operations to identify and manage risks in the areas concerned. UNHCR core protection activities continued to remain a major risk area in 2020. While such risks are not new to UNHCR, they were clearly exacerbated by COVID-19.

23. The COVID-19 pandemic caused an operational shift at UNHCR, with many staff members making the transition from office facilities to teleworking and telecommuting. A direct allocation of \$1.4 million was used to equip headquarters users for teleworking. Towards the end of 2020, obsolete information technology equipment in UNHCR operations worldwide with an original cost of \$15 million was replaced (primarily laptops, servers and network equipment). During moments of physical distancing and lockdowns, UNHCR has sought to reinforce its remote monitoring mechanisms and to initiate alternative modes of service delivery (e.g. expanding cash assistance and increasing contactless and mobile money payments).

24. The impact of COVID-19 on the UNHCR workforce has been significant. The main processes affected by the pandemic and that needed to be adapted included: hiring and reassignment, which in certain instances began in telecommuting mode; medical clearances, which in many instances were based on a medical self-assessment of the colleague concerned through response to a medical questionnaire; training events, which were redesigned and changed to online events; and management of annual leave (the 60-day annual accrual cap was waived in full for the 2020–2021 cycle and increased to 75 days for the 2021–2022 cycle, in accordance with decisions made by the Office of Human Resources of the United Nations Secretariat in New York).

25. The pandemic had an effect on the duty of care for UNHCR personnel. Staying and delivering in often very remote duty stations with limited local health-care facilities involved the institution by UNHCR of sustained and well-planned risk mitigation measures.

26. In terms of deliverables, expenses for supplies and consumables for beneficiaries amounted to \$336.3 million, representing an increase of 18.4 per cent compared with 2019 (\$284.0 million), owing in particular to the distribution of medical, hygiene and personal protective equipment during the COVID-19 pandemic.

Virtual field visits – overall

27. During its virtual field visits, the Board inquired about the impact of the COVID-19 pandemic on the operational activities of the countries visited virtually, as well as about financial impacts, programme and project monitoring, staff presence, etc. The Board noted that the impacts differed greatly among the country operations. While all the operations suffered delays in their activities and had to amend their programmes, the impacts that resulted from the reduced on-site presence were rather limited. The results of the inquiries are presented in tables II.4 to II.6.

Table II.4

Operational impact of COVID-19 on selected country operations

	<i>Operation 1</i>	<i>Operation 2</i>	<i>Operation 3</i>	<i>Operation 4</i>	<i>Operation 5</i>
Implementation rate ^a (operational budget versus expenditure) (percentage)	79	60	58	72	60
Were programmes amended owing to COVID-19?	Yes	Yes	Yes	Yes	Yes
Examples of impact on activities	Tendering and construction projects affected	Education curricula suffered delays	Procurement delayed	Closure of schools hampered programmes	Group activities conducted individually

Source: UNHCR country operations.

^a As at 8 December 2020 in accordance with country financial reports.

28. As an example of the impact of the pandemic on operational activities, in one country operation, about 3.6 million students, including refugee children, were confined in their homes, with schools only reopening in November 2020. In another operation, education programmes were frozen for three months.

29. The country operations visited provided a mixed picture in terms of financial impacts and amended monitoring. One country operation stated that no financial risk related to COVID-19 was identified, while another operation saw an increased risk of fraud and a third operation identified risks in obtaining access to its implementing partners. In terms of the increased fraud risk, the country operation stated that the segregation of duties and internal control measures were further reinforced and implemented. Yet another operation stated that the risks related to currency fluctuations and liquidity continued as before the COVID-19 pandemic. All the country operations except one noted significant savings on travel costs as a result of movement restrictions and reduced workshop and training-related travel. All the country operations except one, which was already well equipped with information technology equipment for remote work, invested in such equipment.

Table II.5

Financial impact of COVID-19 on selected country operations

	<i>Operation 1</i>	<i>Operation 2</i>	<i>Operation 3</i>	<i>Operation 4</i>	<i>Operation 5</i>
COVID-19-related financial risks identified?	Yes (fraud)	Yes (partners)	No (health)	No	Yes (currency)
Financial savings owing to the pandemic?	No	Yes (travel)	Yes (travel)	Yes (travel)	Yes (travel)
Additional expenses owing to the pandemic?	Yes	Yes	Yes	Yes	No

Source: UNHCR country operations.

30. In terms of personnel, the situation differed among the country operations. Whereas in one country operation only approximately 7 per cent of personnel were teleworking, in another operation all staff worked from home. However, all operations stated that the absence of personnel had little or no influence on the stay-and-deliver provision.

Table II.6

Impact of COVID-19 on personnel on selected country operations

	<i>Operation 1</i>	<i>Operation 2</i>	<i>Operation 3</i>	<i>Operation 4</i>	<i>Operation 5</i>
Number of staff in the operation	347	267	193	162	177
Number of staff telecommuting	189	20	153	91	177
Percentage of staff telecommuting	54	7	79	56	100
Lack of staff owing to the pandemic?	Yes	No	No	No	Yes

Source: UNHCR country operations.

31. In one country operation, the Board noted a lack of staff caused by the pandemic and traced it back to a delay in reporting for newly assigned or reassigned staff owing to travel restrictions. In another case, the country operation only indicated the extended sick leave of two staff members who, in the end, could not continue their work in the operation, resulting in replacements having to be found.

32. In terms of extra funding for the COVID-19 situation, four out of the five countries visited did not request a supplementary budget for COVID-19, but rather reallocated funds from the annual budget to their COVID-19 special requirements. All the operations listed in table II.7 received COVID-19-related funding and recorded expenditure against that funding under the COVID-19 situation. The one country operation that requested and received a supplementary budget for COVID-19 was able to spend about half of its COVID-19-related budget requirements in 2020. The receipt of COVID-19 funding in excess of expenditures of about 40 per cent applies to the rest of UNHCR (that is, all other country operations, headquarters and divisions indicated in table II.7, which adds up to the total organization-wide numbers), where approximately that percentage of the COVID-19-required budget remained uncovered. The table also provides an overview of the supplementary and annual budget allocated for COVID-19.

Table II.7
COVID-19 budget and expenditures in 2020

(Millions of United States dollars)

<i>Operation</i>	<i>Supplementary budget</i>	<i>Annual budget</i>	<i>Total budget</i>	<i>Expenditures</i>
Chad	0	10	10	8
Niger	0	7	7	5
Pakistan	0	19	19	18
Rwanda	0	3	3	3
Yemen	40	2	42	20
Rest of UNHCR	364	299	663	388
Total	404	341	745	442

Source: UNHCR.

33. The Board noted that the country operations visited virtually took strong efforts to adapt to the COVID-19 situation quickly and as flexibly as possible. The country operations received support from headquarters and the regional bureaux, for example in terms of guidance material, amendment of processes for telecommuting, payments and remote monitoring. Many of the operations faced difficulties and delays in implementing their programmes as intended owing to lockdown situations and could not spend their budget as originally intended.

Virtual field visits – medical items in response to the pandemic

34. The outbreak of the COVID-19 pandemic and the challenges to respond to it prompted UNHCR to exceptionally categorize certain medical items as inventory. UNHCR considered certain medical items – in particular personal protective equipment – one of the essential commodities that needed to be procured during the pandemic. In addition, an increased need for hygiene items was identified. UNHCR realized the operational relevance of the items with regard to increased need, quantity and value. UNHCR recognized the significance of controlling each step in the supply chain and categorized surgical and respiratory masks and gloves as inventory.

35. At the beginning of the COVID-19 pandemic, headquarters recognized that the need for personal protective and hygiene items had to be assessed using a reliable tool. UNHCR used the World Health Organization (WHO) COVID-19 essential supplies forecasting tool for the needs assessment. Using the tool, in a first step, headquarters assessed the needs and communicated the proposed needs to the regional bureaux and country operations. In a second step, the country operations reviewed the proposals and amended or confirmed the needs.

36. A private company contacted UNHCR headquarters to express its willingness to donate large quantities of soap as a hygiene measure to help to contain the spread of COVID-19. Headquarters accepted the donation, which amounted to 26 million bars of soap, and allocated the soap to more than 50 warehouses for further distribution. Of that amount, 14 million bars of soap were distributed in 2020, leaving a remainder quantity of 12 million bars. As a donation, the soap was free of charge. UNHCR bore the costs of storing and distributing the soap.

37. In March and April 2020, UNHCR assessed that most countries would experience a rapid exponential increase in COVID-19 cases and that it would be a prudent outbreak preparedness practice to scale up activities and stockpile sufficient supplies. That assessment was made on a no-regrets basis to ensure that UNHCR, partners and health-care workers would be able to have personal protective equipment to keep themselves safe. Global markets and logistics infrastructure collapsed, and many supplies reached operations with a significant delay (three to six months), during which UNHCR had to prepare for, or forecast, the second phase: maintaining outbreak preparedness and response levels. Furthermore, as always in the context of volatile movements of persons of concern, predictions of plan figures were difficult. In terms of masks, their effective use was not totally known. At first, it was recommended that medical staff in hospitals use them. Initially, medical masks were recommended for health-care staff only; later, masks were also recommended for front-line workers who stayed and delivered in accordance with business continuity plans. Still later, community masks were recommended for everyone. The recommendations were oriented along WHO guidelines.

Observations

38. During its virtual field visits, the Board observed that the needs assessment, receipt and distribution of items in response to the COVID-19 pandemic differed greatly among the countries visited virtually. The Board analysed in detail three of the most important COVID-19-related items – masks, soap and gloves – to obtain an overview of how headquarters or country operations determined the needs and procured and distributed the selected items. A look at those urgently needed items is presented below.

39. In its further review, the Board focused on external distribution of the items to beneficiaries. Internal distribution was not taken into account because the items were transferred between warehouses and were still under the control of UNHCR.

Masks

40. The Board found that needs assessments and the receipt of surgical masks were not aligned in most of the cases reviewed. Most of the country operations identified a need for masks for distribution to beneficiaries, national administration and government, as well as to their own and partner staff. However, although some other country operations did not determine a need, or determined only a very small need, they received large quantities of masks. For example, the country operation in Pakistan received 0.6 million masks without having determined a need for them. In 2020, the country operation distributed about 9 per cent of the quantity received.

A similar situation occurred in the Niger, where the country operation did not determine a significant need for masks, yet received a considerable quantity of them. On the other hand, the country operation in Yemen determined a significant need, but received only about 11 per cent of the needs determined. The items received were distributed, which supports the fact that a considerable need existed.

41. The Board found that none of the five country operations actually received the assessed quantity of masks needed. In addition, country operations that received large quantities of surgical masks did not distribute them as a substitute for respiratory masks. During the virtual field visits, the Board requested distribution plans. At first, none of the operations provided such plans. The country operation in Yemen provided a distribution plan at a later stage for the first and second quarters of 2021. However, in this case, intended distributions were not reconcilable with procured or stored quantities. The country operation in Rwanda provided a distribution plan for 2020 that covered 55 per cent of the quantity available.

42. The most striking observations with regard to masks are summarized as follows and in figure I:

(a) Chad: quantity received exceeded needs by nearly 75 per cent and distributed about 38 per cent;

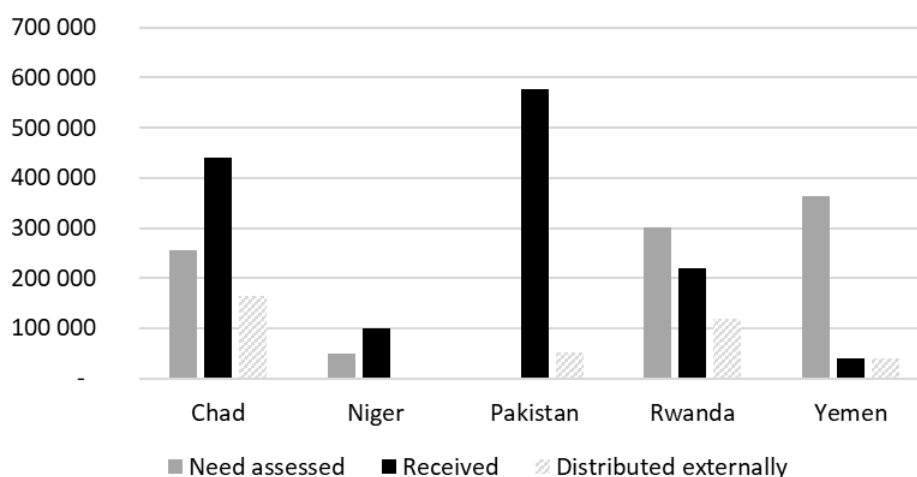
(b) The Niger: needs were assessed at nearly zero, received approximately 0.1 million and distributed 2,500 pieces (2.5 per cent);

(c) Pakistan: no needs assessed, received approximately 0.6 million masks and distributed about 9.0 per cent;

(d) Rwanda: received approximately 75 per cent of the assessed quantity of masks needed and distributed nearly 55 per cent;

(e) Yemen: received 11 per cent of the assessed quantity of masks needed and distributed all masks received.

Figure I
Number of surgical masks received and distributed in 2020



Source: UNHCR.

43. In 2020, other than in Rwanda and Yemen, the quantity of masks received exceeded the needs determined. In addition, the country operations failed to distribute the masks in a timely manner. Moreover, even in first months of 2021, the high

quantities of masks received were hardly distributed. The Board is concerned that the later receipt of masks was not aligned with needs that might have changed in the meantime. The rather small quantity of masks distributed is evidence that reliable and feasible distribution plans were not available.

Soap

44. The Board found similar shortcomings with regard to soap. In addition to the discrepancies between needs assessment and receipt, the donation in kind resulted in a particular challenge in terms of the allocation of soap in the countries reviewed. The Board noted that none of the country operations in Chad, the Niger and Rwanda determined a need for soap. Nevertheless, Rwanda and the Niger procured or received considerable quantities of thereof. As a positive example, the country operation in Pakistan received a quantity in the range of the determined needs and distributed the small quantity received in a timely manner.

45. With regard to soap, the Board highlights the following:

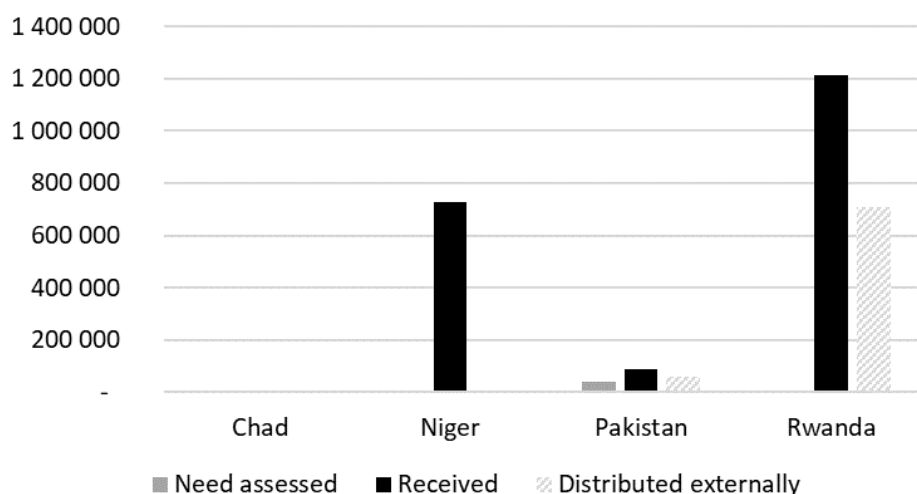
(a) The Niger: country operation procured approximately 0.7 million bars of soap, and the operation did not distribute any soap in 2020;

(b) Rwanda: country operation received approximately 1.2 million bars of soap as a donation in kind and distributed about 0.7 million bars.

46. The patterns with regard to soap (need assessed, and quantity received and distributed) are shown in figure II.

Figure II

Number of bars of soap received and distributed in 2020



Source: UNHCR.

47. While the country operation in Pakistan managed to distribute the quantities received, the country operations in the Niger and Rwanda stored large quantities of soap. According to the operation in the Niger, beneficiaries participated in a commercial programme and produced soap for their own consumption. In this particular case, the Board considers it questionable as to whether the needs were assessed because the beneficiaries produce soap themselves. The stored quantity of more than half a million bars of soap suggests that such an amount of soap has never been needed. In the country operation in Rwanda, hygiene needs, including soap, are

part of a cash-based intervention programme. The quantity of soap received was not used in 2020, and very few bars were distributed until April 2021. Although the soap was a donation in kind and therefore free of charge, logistical aspects had to be handled by the operations.

48. The Board requested distribution plans for soap, but the requested plans were not made available by all the country operations. The country operation in Rwanda stated that it had reorganized the support of beneficiaries and moved from distribution of non-food items to cash-based interventions. The operation stated that a distribution plan was thus dispensable. The country operation in Yemen provided a distribution plan at a later stage for 2021. The quantity intended for distribution fell below the quantity stored. A donation in kind for soap received in the first quarter of 2021 exceeded the quantity intended for distribution by more than three times.

49. The country operation in Chad neither received nor distributed any soap. The country operation decided to provide cash-based interventions and stated that soap was available on the market at any given time.

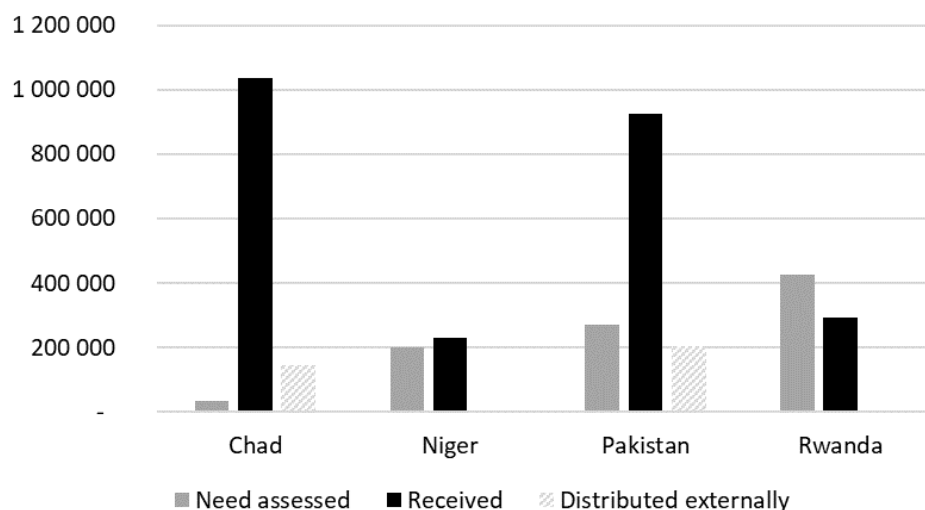
Gloves

50. With regard to gloves, the Board found similar shortfalls in terms of needs-based distribution among the country operations. Furthermore, the needs assessment showed implausible variances. For example, at first, the country operation in Pakistan identified a need for 0.9 million gloves. Later, the operation confirmed a need for about 0.3 million gloves, but it received 0.9 million in the end. As a consequence, only a small portion of the gloves received were distributed. Other country operations determined needs, but did not manage to distribute any gloves in 2020.

51. The Board's observations with regard to gloves are summarized as follows and in figure III:

- (a) Chad: small needs determined, but received more than 1.0 million, of which about 0.2 million were distributed;
- (b) The Niger: needs assessed, 0.2 million received and not one pair distributed;
- (c) Pakistan: 0.9 million received, of which 0.2 million were distributed;
- (d) Rwanda: needs assessed at approximately 0.4 million, about 0.3 million received and not one pair distributed.

Figure III
Number of gloves received and distributed in 2020



Source: UNHCR.

52. The Board noted that, except for the country operation in Rwanda, the quantity received exceeded the needs with regard to gloves. In the country operation in Chad in particular, the receipt exceeded the needs by 3,000 per cent. In providing the outlook for 2021, the Board could not identify a distribution of gloves in the country operation in the first months of 2021. The Board holds that the needs determined by the operation do not meet the actual needs, given that distribution did not take place or did not match the needs.

Conclusions

53. On the basis of the findings above, the Board holds that the needs-based distribution of medical items such as masks, soap and gloves can be further improved. The Board is aware that UNHCR had to respond to an unforeseeable emergency situation whose duration, extent and impact were hardly assessable. The Board is aware that the COVID-19 pandemic represents an unprecedented public health crisis of proportions not seen before. Guidance on the pandemic was provided by WHO and is constantly updated. Nevertheless, UNHCR is an experienced entity with a broad range of expertise in the area of emergency response.

54. The Board is of the opinion that UNHCR did not take all given circumstances into account when assessing needs. Specifically, UNHCR did not consider that beneficiaries produce their own soap, as well as the preference for cash-based interventions.

55. Furthermore, in almost all of the cases reviewed, needs and quantities received were not aligned. If a country operation receives considerable quantities in excess of its determined needs, pressure is put on the operation. The operation then needs to reallocate resources, redesign its programmes and ensure storage capacity, which have a negative effect on the efficient distribution of items to beneficiaries in the end.

56. Out of a donation of nearly 26 million bars of soap, UNHCR still had 12 million available as at 31 December 2020. The organization used only about 46 per cent of the donated items. Given the worldwide increase in the need for soap during the pandemic, the unused quantity seems to be a result of a disproportionate distribution of the items

among the country operations. The Board holds that soap was distributed to some country operations that did not necessarily have corresponding needs, whereas other country operations did not benefit from the donation. The Board is of the opinion that the collaboration among headquarters, regional bureaux and country operations has to be improved to determine reasonable, economic and demand-orientated needs.

57. The Board holds that distribution plans are an important tool to steer and monitor the distribution of items procured. Distribution plans are normally informed by the procurement or sourcing plan and the actual quantities available. The Board is of the opinion that a reliable and feasible distribution plan already needs to be established at the time of the needs assessment and no later than at the time of procurement. Factors that might interfere with or even hamper distribution, such as insufficient capacity or political circumstances, have to be considered to align procurement with distribution opportunities. The needs assessment, procurement and subsequent distribution must be considered in context. It is the purpose of procurement to distribute items and not to store them for a long period, in particular in response to emergencies. The Board noted that the country operations did not make use of distribution plans and, in most of the cases reviewed, could not provide an overview of the items distributed, planned for distribution and available on stock. The Board holds that UNHCR should facilitate the use of distribution plans to back up well-informed and aligned procurement plans and reliable stock reports.

58. Whereas the country operations represent the first line of defence, regional bureaux make up the second line of defence. In that role, the bureaux have a comprehensive view of needs, resources and capacities in their region. Regional bureaux should, inter alia, support and provide advice to the country operations in their programme implementation. During its field visits, the Board noted that, in theory, the regional bureaux should have been supporting the country operations in the procurement of COVID-19-related and hygiene items. That support should have included a joint procurement process and a balancing of country operations with excessively high stock levels and those that were understocked. The Board found that, in practice, the role of the bureaux was reduced to one of taking note of procurement without questioning or coordinating it at the field level and that the bureaux were focused on interaction with headquarters. The Board holds that regional bureaux should play a crucial role, in particular in coordinating the country operations in their region and ensuring that goods are better distributed and balanced among countries under their purview in line with demand.

59. The Board took note of a new policy and administrative instruction on procurement (UNHCR/HCP/2021/01 and UNHCR/AI/2021/05), effective from September 2021. The new documents became necessary because there was no single coherent policy document on procurement at UNHCR. Guidance on various aspects of procurement had been scattered across several documents. The requirements, processes and procedures for undertaking procurement under the new policy on procurement are set out in the administrative instruction.

60. It is stipulated in the administrative instruction that needs have to be duly identified and assessed by the requesting functions in consultation with the procurement function. As stated in the document, procurement planning is an essential step and should not be neglected in emergency operations because it enables the procurement function to effectively and efficiently respond to an emergency situation. Also stipulated in the administrative instruction is the requirement that all country offices, multi-country offices, regional bureaux, divisions and stand-alone entities at headquarters establish and maintain an updated consolidated procurement plan using a standard template. The procurement plan feeds into the annual country supply plan, which must be submitted as part of annual programming. It is stated in the administrative instruction that early and systematic procurement planning is critical.

61. The Board noted that distribution plans are not mentioned in the administrative instruction, nor has separate guidance on distribution been issued. The Board also noted that the roles and responsibilities of the regional bureaux as the second line of defence are not explicitly mentioned in the administrative instruction.

62. The Board supports the initiative of having comprehensive guidance on procurement in UNHCR, which also provides a good opportunity to enhance procurement procedures in terms of the needs-based management of inventories.

63. The Board recommends that UNHCR further improve the concerted support that headquarters and regional bureaux provide to country operations with respect to the needs-based procurement and distribution of inventory items, in particular during emergency situations such as the COVID-19 pandemic.

64. The Board recommends that UNHCR support country operations by establishing comprehensive distribution plans for items on stock.

65. UNHCR accepted the recommendations. The needs assessment, preparedness planning, procurement and distribution process were adapted to the evolving pandemic as much as possible under the circumstances. In response, key personal protective equipment and health products were provided to establish a solid foundation for epidemic preparedness and response, as well as procurement on a no-regrets basis, which in good public health practice includes the stockpiling of essential supplies. The quantification was then shared with the regional bureaux and operations. A second phase of procurement of key personal protective equipment was planned and carried out in May and June 2020. As a result of learning from the first phase, a centralized procurement and supply system was set up to counter challenges arising from the volatile market and global logistics infrastructure, including difficulties resulting from the fact that many supplies had not reached operations or were under customs clearance.

5. Decentralization and regionalization

66. As the Board commented in its 2018 report, the decentralization and regionalization project includes opportunities along with risks. The Board pointed out that new positions and authorities in the regional bureaux needed to be well coordinated and built into current UNHCR structures (see [A/74/5/Add.6](#), chap. II, para. 64).

67. In its 2019 report, the Board commented on the interim status of the decentralization and regionalization process. The Board made several recommendations with regard to the steering of the process, the new framework of roles, accountabilities and authorities and the evaluation of the change process. The Board pointed to the expected focus of the decentralization and regionalization process in 2020 on recalibrating the divisions and on aligning them with the new regional structure. The new structure of the regional bureaux became effective as from 1 January 2020. UNHCR initially planned to complete the recalibration of the divisions by the end of 2021 and stated at the time of the audit that the realignment of its headquarters was to be completed through a multi-year process, informed and guided in part by the business transformation programme.

68. For its 2020 report, the Board further analysed the status of the decentralization and regionalization process. The Board discussed upcoming steps and views on the process with the Transformation and Change Service and the Director for Change at headquarters and reviewed available documentation.

69. In June 2020, in addition to studies carried out in April and May 2020, UNHCR conducted a survey among country representatives, deputy country representatives and heads of sub-offices. The participants stated that they appreciated in particular the

proximity of the bureaux, an increased feeling of support and more fluid communications. However, the survey also highlighted a strong perception that the bureaux were too large, resulting in an unwelcome increase in demands on country operations. With regard to roles and responsibilities, the participants, inter alia, noted that:

- (a) Country operations had not yet been strengthened by the reform process;
- (b) The new roles and responsibilities were not yet sufficiently clear;
- (c) New bureaux roles caused extra work and demands on country offices with less support;
- (d) Whether and how headquarters colleagues should contact country operations directly had not yet been fully resolved, nor were they sufficiently clear;
- (e) Processes had not yet been simplified.

70. In follow-up to the Board's prior-year recommendations, it was confirmed that the review of the framework of roles, accountabilities and authorities issued in 2019 was continuing. For a look at where decentralization and regionalization stood, UNHCR asked OIOS to perform a management advisory, to assess in particular the degree of decentralization achieved. UNHCR identified a need to revisit the three-lines-of-defence model. The Board noted that a draft road map to steer the decentralization and regionalization process had in principle been endorsed, but that the due dates and steps had not been achieved as indicated and that the main task of the alignment of headquarters divisions had not been included in the road map.

71. Furthermore, the Board noted that a series of new administrative instructions had been promulgated or were about to become effective. The Board noted that UNHCR did not take the opportunity to pay special attention to the explanation of the roles and responsibilities of headquarters entities and regional bureaux where that would be required. For example, in the new draft administrative instruction on procurement, the role of the regional bureaux as the second line of defence is not mentioned. In the new administrative instruction on the new results-based management system, COMPASS, it is stated that country offices, multi-country offices, regional bureaux, divisions and entities are expected to assign appropriate system roles to their staff and to determine access to the relevant parts of COMPASS. However, that guidance leaves room for interpretation, and the design of new roles and responsibilities has yet to be developed.

72. UNHCR did not provide the Board with evidence of an evaluation of the decentralization and regionalization process, as recommended in 2019. UNHCR stated that an evaluation was premature, given that the new organizational architecture was barely 18 months old. As an interim stocktaking measure, the OIOS management advisory has been commissioned.

73. Noting that the implementation of certain steps in the process was hampered by the COVID-19 pandemic, the Board holds that the steering of the process could be further enhanced and that UNHCR should prioritize and expedite the clarification of roles and responsibilities at regional bureaux and headquarters.

74. The Board recommends that UNHCR prioritize and align the redefinition of roles and responsibilities at the regional bureaux and at headquarters entities and that it ensure that the roles of the redefined structures are reflected in the regulatory framework, as applicable.

75. UNHCR accepted the recommendation and stated that the realignment of its headquarters is a multi-year process, informed and guided in part by the business transformation programme. UNHCR noted that the updated three-lines-of-defence

model issued by the Institute of Internal Auditors moves away from the concept of defence, a key consideration in its work on revising how the model is interpreted for roles and responsibilities.

Results-based management

76. Results-based management is required to provide strategic direction and guidance on the management of UNHCR operations. New performance metrics are to facilitate the measuring of the UNHCR contribution to improvements in the lives of its population of concern and to facilitate visible links to the key Sustainable Development Goals, mainly at the impact and outcome levels.

77. The new results-based management system, called COMPASS, which is to be used for planning as from 2022, went live at the beginning of 2021. The former results-based management framework will still be valid for the biennium 2020–2021. As from 2022, UNHCR will implement its responses using the new results framework.

78. UNHCR released an administrative instruction on COMPASS with regard to planning for results for 2022 and beyond (UNHCR/AI/2021/01). In the administrative instruction, it is stipulated that a three-year transitional period is to start from the budget for 2022 onwards.

79. At the start, a limited number of operations in the field are to develop multi-year strategies. The strategies will be based on the local context and are to be developed in consultation with the regional bureaux. The remaining operations, as well as all bureaux and headquarters entities, will prepare interim strategies, which will have a one-year implementation validity in 2022.

80. In the upcoming months, regional bureaux will be responsible for guiding the operations to ensure that their context-specific results frameworks reflect UNHCR global and regional strategic priorities. They will also be responsible for performing quality assurance, as part of reviewing and approving the country strategies. UNHCR will present the 2022 budget to the Executive Committee in October 2021.

81. As the Board highlighted in its 2019 report, well-aligned and coordinated processes for, in particular, results-based management and the decentralization and regionalization work streams, are important. The milestones for both processes should be part of the planning and steering road map, and the Board will continue to audit the results-based management project.

6. Budget and finance

Budgetary structure

82. The financial rules of UNHCR are based on the provisions of the Financial Regulations of the United Nations and are established in accordance with paragraph 8 of General Assembly resolution 1166 (XII) and the subsequent directives of the Executive Committee of the Programme of the United Nations High Commissioner for Refugees. Except for as may otherwise be provided by the Assembly or the Executive Committee, the rules govern all financial activities of the High Commissioner other than the administration of his or her regular budget. In the 70-year history of UNHCR, since its establishment on 1 January 1951, the financial rules have been revised 10 times, most recently in the financial rules for the voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.10) with effect from 1 January 2012.

83. Since the publishing of the version of the financial rules for the voluntary funds administered by the High Commissioner that was effective from 2010 onwards

(A/AC.96/503/Rev.9), pillars have formed the highest level of the UNHCR comprehensive results-based budget and accounting structure. They comprise the following: pillar 1, the Global Refugee Programme; pillar 2, the Global Stateless Programme; pillar 3, Global Reintegration Projects; and pillar 4, Global Internally Displaced Persons Projects.

84. Pursuant to the report of the seventy-first session of the Executive Committee of the High Commissioner's Programme (A/AC.96/1209), the Executive Committee acknowledged the replacement of the pillar structure with impact areas. It endorsed a review of the impact of the changes to the budgetary structure on management efficiencies and on the ability of UNHCR to deliver on its mandate, with a view to any revisions, if needed, to be presented to the Executive Committee no later than 2025, with preliminary reviews as needed. The Executive Committee requested the High Commissioner to ensure the quality of the budgetary information. The Executive Committee endorsed a revision of the financial rules with effect from 1 January 2022.

85. In September 2020, in the Standing Committee, concern was expressed that the changes to the budgetary structure might affect the quality and transparency of reporting. The delegates suggested consulting with the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors on the proposed changes to the budgetary structure with regard to assurance of transparency and quality. UNHCR was requested to provide further clarifications on how it would reconcile the old budgetary structure, which was based on population group pillars, and the new one, which is built around impact areas. The Deputy High Commissioner noted that UNHCR was in close consultation with the Board, but that there were no special provisions for the Board regarding the financial rules of UNHCR (EC/71/SC/CRP.23, para. 47).

86. In March 2021, the Board asked UNHCR to what extent such close consultation with the Board had taken place. UNHCR clarified that the comment was a general one on ongoing dialogue with the Board, which included discussions on results-based management, and organized a briefing with the audit team in May 2021. The Director of the Division of Strategic Planning and Results gave a presentation to the audit team and was available for questions. During the presentation, the Director touched on the planned structure of the 2022 programme budget and the planned changes to the financial rules to, inter alia, replace pillars with impact areas as the highest level of the comprehensive budget. According to the Director, the main changes to the 2022 budget would be as follows: new information on how UNHCR budgets contribute to the Sustainable Development Goals; new tables that would provide views of the budget by results areas (impact and outcome); a modified presentation of the budget by types of populations (e.g. refugees, stateless persons, returnees and internally displaced persons); and the deletion of the annex on global strategic priorities. Whereas information on results, the budget and expenditure was presented as pillars until 2020, the information is to be presented as impact areas from 2022 onwards. The impact areas are to be the following:

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

87. The Board took note of the upcoming changes and questioned why the new results-based management necessitated a revision of the financial rules and a replacement of the pillar structure. UNHCR stated that Member States were asking for a more precise presentation of the budget that enhanced the visibility of the impact of budgets on the persons of concern and the situations addressed ("where and to

whom”, stated during the briefing with the audit team in May 2021). UNHCR stated that information on targeted populations would still be visible in future. The Board took note of the more detailed budget views and the information by impact, outcome and enabling areas in the planned programme budgetary structure for 2022 onwards. Nevertheless, the Board is concerned in particular about the timing of various work streams, the potential impacts of the revised budgetary structure on financial reporting and the multilayered nature of the changes, which may not be separately traceable.

88. The Board shares the concerns raised in the Standing Committee that the amendment of the budgetary structure requires an analysis of the changes, that assurance should be provided that the proposed structure fulfils the requirements of transparency and quality and that the matter should be reviewed by 2025 at the latest.

89. The Board recommends that UNHCR continue to review the impact of the changes to its budgetary structure on management efficiencies, analyse the benefits of the changes proposed, communicate the result of the analysis and provide assurance that the proposed budgetary structure meets the requirements of transparency and quality.

90. UNHCR concurred with the recommendation.

Segment reporting

91. In 2020, UNHCR amended the presentation of segment reporting in note 8 to the financial statements. Previously, segment reporting was structured as programmes (comprising the above-mentioned pillars 1 and 2), projects (comprising pillars 3 and 4) and special funds and accounts. From 2020 onwards, segment reporting is structured along geographical areas. The eight new geographical areas comprise the seven regional bureaux plus an eighth category, entitled “headquarters/global programmes/other”. The eighth category makes up more than 80 per cent of total assets, while the seven bureaux make up 1 to 6 per cent thereof. The eighth category makes up about 30 per cent of revenue.

92. Previously, unearmarked and softly earmarked contributions were recorded under pillar 1 (Global Refugee Programme) and subsequently transferred to other pillars, as needed, to cover budgetary requirements. Under the new reporting, voluntary contributions not earmarked for a specific region are allocated to the eighth segment, headquarters/global programmes/other. Information on transfers from programmes to projects is only available from the transitional presentation of historical segment reporting. Once such reporting is discontinued for the purpose of achieving more operational flexibility, information on the reallocation of unearmarked funding will become less transparent.

93. In accordance with IPSAS, segment reporting is aimed at providing relevant information for purposes of accountability and decision-making. Separate segments are defined as distinguishable activities for purposes of evaluating the past performance of the entity with regard to achieving its objectives and for making decisions about the allocation of resources. IPSAS require that the major classifications of activities identified in budget documentation reflect the segments for which information is reported to the governing body and senior management.

94. The UNHCR budget documentation and reporting to the governing body currently include presentations by region, global programme and headquarters, as well as by pillar (see [A/AC.96/1202](#)). The decision to replace the current pillar structure with impact areas will become effective as from 1 January 2022.

95. When asked for the reason for changing the segment reporting already in the 2020 financial statements, UNHCR stated that, in view of regionalization and decentralization, an organizational structure based on regions best served the

objectives of the organization with regard to management, control and decision-making. Thus, geographical segmentation represented the appropriate approach. UNHCR acknowledged that the current financial rules of UNHCR continued to require budgeting and reporting by pillar.

96. The Board acknowledges the rationale for the amended segment reporting. However, given that the financial rules would only be changed from 2022 onwards, the Board holds that the amendment of the reporting in the 2020 financial statements of UNHCR is not yet compelling. In the view of the Board, the segment reporting should follow the budget documentation and reporting to the governing bodies. Moreover, the Board raised concerns that the same quality of information on the transfer of the budget among pillars and among programmes and projects should be ensured in the transition phase of the budgetary structure from pillars to impact areas.

97. The Board recommends that UNHCR present the same quality of information in the segment reporting for 2021 as in the reporting for 2020 and as long as the future results-based management structure is not yet finalized and fully operational.

98. UNHCR agreed with the recommendation and assured the Board that the segment reporting for 2021 would contain the same quality of information as in the reporting for 2020.

Budgetary requirements and International Public Sector Accounting Standards accounting

99. The IPSAS financial statements of UNHCR are prepared on an accrual basis, while the budget is prepared on a modified cash basis. The use of the two different approaches often leads to confusion, and the handling of deviations is not straightforward for those who are not experts on the subject matter.

100. During its sample review, the Board found cases in which unavailable budget, or the need to secure or utilize available budget, resulted in misstatements of IPSAS accounting. In one of the cases sampled, an attempt to roll over budgetary funds from one financial and budget year to the next led to an overstatement of expenses in IPSAS financial reporting of \$0.3 million. In another case, the country operation incorrectly recorded the receipt of prefabricated units, even before all of the items were delivered, to ensure the use of the budget, resulting in overstated expenses of \$0.8 million. In another sample, although the country operation accepted the services of an external service provider and collected corresponding invoices from the provider, no budget was committed for the services in the year in which they were rendered. In that case, the country operation failed to record IPSAS liabilities and expenses in the amount of \$1.7 million. In the decentralized structure of UNHCR, with many country operations inputting data for financial reporting, the risk for such errors is elevated. As shown in the cases found by the Board, awareness of country operations and internal controls needs to be improved in that regard.

101. The Board holds that the difference between IPSAS expenses and budgetary expenditures could be outlined more clearly in the instructions sent to country operations. Other United Nations entities include brief definitions of commitments meeting the definition of IPSAS expenses and of budgetary expenditures in their closing instructions and require reporting on both types of commitments at year-end. Such a requirement could help to better communicate the difference between IPSAS and the budget of UNHCR and could make it easier to review the commitments or evaluate them ex post.

102. The Board recommends that UNHCR complement its internal preventive and detection controls to identify erroneous expense postings resulting from

attempts to roll over budgetary funds to the following financial year, review the drivers of incorrect IPSAS accounting and address them accordingly, such as by improving communication and reporting requirements in UNHCR closing instructions and by reviewing expense postings on the basis of timing, materiality and descriptions.

103. UNHCR accepted the recommendation and stated that it would explore further ways to improve communication and enhance controls in that regard.

Internal controls – variance analysis

104. In 2020, UNHCR established and provided seven Excel files of expense variance analysis for each of the seven regional bureaux. The files contained a separate sheet for each of the country operations under the purview of the regional bureaux. The country operations were to provide explanations for specifically defined variances in line items that flowed into the statement of financial performance, depending on the size of the operation and the amount and percentage of the variances. The variance analysis concerned line items in the statement of financial performance, not in the statement of financial position. The accumulated results for all countries in one region were included in a summary sheet for each regional bureau. The variance analysis contained a comparison of the actual expenses for the current year with those of the previous year. No budgetary information and no implementation ratio information were included.

105. While the Board did not review in detail the analysis provided with regard to methodology and quality of information, it made use of the explanations, where relevant, for analytical audit procedures. However, the Board noted that the granular information from about 130 country operations was of limited assistance for analysing the overall UNHCR account balances. The analysis did not provide a comprehensive overview of the underlying data of the 130 country operations without further searching. Moreover, certain line items in the statement of financial position, such as cash and open item balances, can be of interest in terms of a variance analysis. Those items were not included in the analysis. The analysis was focused on actual performance figures only. However, significant variances are frequently attributable to changes in the operational environment or the budgetary requirements. Therefore, the Board holds that an inclusion of benchmarks such as budget information in the variance analysis would make it more meaningful and verifiable.

106. The Board holds that the expense variance analysis conducted is a good step towards establishing additional control mechanisms at the regional bureaux level. It enhances the oversight (second line of defence) functions of the regional controllers. However, the Board concludes that the analysis should be complemented by a final step of accumulating and aggregating the information at the headquarters level and by including comparative information.

107. The Board recommends that UNHCR perform an organizational variance analysis for both the statement of financial performance and the statement of financial position, complemented by inputs from the regional bureaux and relevant benchmarks for identified significant variances, where applicable.

108. UNHCR accepted the recommendation.

Country financial reports

109. UNHCR uses country financial reports to present summary information on key aspects of financial resource management at the country, regional and headquarters entity levels. The main objective of providing the reports is to facilitate management review by indicating areas in which management attention is warranted. At the entity

level, the reports contain, among other information, a summary of property, plant and equipment and a sheet on IPSAS expenses. The information in the country financial reports is updated daily, with interactive visualization and drill-down options at the transactional level.

110. During its virtual field visits, the Board found that the information on property, plant and equipment in the country financial reports did not match the actual numbers for property, plant and equipment available on site in the country operations. For example, the country financial reports of two countries visited virtually displayed five and four light vehicles, respectively. In interviews and through documentation, the country operations confirmed the on-hand number of vehicles to be 165 and 184, respectively. The responsible unit at UNHCR headquarters stated that the property, plant and equipment in the country financial report is displayed on the basis of cost centres, meaning on the basis of the ownership of the items. Given that the vast majority of vehicles is subject to the global fleet rental scheme, the global fleet cost centre is the owner of the vehicles in most cases. As a consequence, the vehicles do not appear as vehicles of the country operation in the country financial reports.

111. The Board took note of the technical approach to displaying the assets in the country financial reports by ownership rather than by location. However, the Board holds that it is the country operation that decides if it orders vehicles through the rental scheme and how it uses them. It is the country operation that decides to dispatch vehicles to its staff and partners on the ground. The associated costs are charged to the country operation's budget.

112. Country financial reports are addressed primarily to the country operations and should enable them to have a good overview of their key elements. The operations review the reports on a regular basis in multifunctional teams. The country representatives sign off on the reports and acknowledge the information displayed. The operations are encouraged to use the information in the reports to inquire about flagged items and implausibility. Available assets, such as vehicles and generators, are an important part of the operational activities. The Board holds that the country financial reports would become more meaningful if visualized information on the available property, plant and equipment could be depicted in the report. Moreover, such information would enable the operations to use the reports as a monitoring and cross-referencing tool for the verification and alignment of data between the enterprise resource planning system and FleetWave (a reporting tool for aspects of fleet management, such as fuel consumption, mileage, insurance and vehicle costs in general). If the country financial reports could display the number of vehicles available in the country operation, mismatches between FleetWave and the enterprise resource planning system could be more easily identified.

113. With regard to cash assistance, the Board found that the amount of IPSAS expenses was the only information currently available from the country financial reports. For planning purposes, the standard operating procedures provide an initial rough overview of the cash-based intervention programme details and data. However, the static standard operating procedures are not suitable for the monitoring of financial data. In the enterprise resource planning system, financial data can only be extracted with queries. The Board holds that a cash assistance dashboard in the country financial reports could be used to analyse and monitor the plausibility of cash assistance expenses.

114. In one of the samples reviewed, the Board found a budget account code error at the country level. It also found account coding errors and noted cases in which headquarters had detected them and posted corrections. The Board also found that open item clearance (smaller items of refund claims from financial service providers) could be carried out in a timelier manner. The Board holds that accounting and budget

miscoding could be detected earlier if the country operations and the regional bureaux were to conduct regular analytical reviews and have a better overview of their cash assistance expenses.

115. The Board holds that a separate dashboard for cash assistance in the country financial reports could facilitate the oversight of financial data. Information on direct expenses and expenses incurred through partner implementation could be included. The dashboard could be enriched with information on registration and verification and waiting list data from the Profile Global Registration System (proGres) and on post-distribution monitoring exercises conducted.

116. The Board recommends that UNHCR enhance the property, plant and equipment information in the country financial reports to display such information, including by location as well as by ownership.

117. The Board recommends that UNHCR continue to expand cash assistance information in the country financial reports and to develop other dashboards providing cash assistance-related information.

118. UNHCR accepted the recommendations. While the current approach of presenting country financial reports is fully adequate, UNHCR can pursue further enhancements along the lines suggested in the recommendations.

Inventory management – processes

119. A core activity of UNHCR business, the distribution of inventory items to beneficiaries, consumes a considerable part of the financial resources. In 2020, UNHCR distributed inventory items in the amount of \$269.8 million, compared with \$238.2 million in 2019. The increase of more than \$30 million and the prior year's findings prompted the Board to review the inventory process again on the basis of sample tests. A sample test is a tool used to obtain evidence of whether business transactions are posted correctly, in a timely manner and in line with true and fair view principles. Postings have to reflect the given business case that is posted according to supporting documents, such as purchase orders, invoices and goods receipt notes.

120. In its 2019 report, on the basis of a variety of findings, the Board recommended that UNHCR implement additional measures to ensure the functioning of key controls in the inventory process. The Board stated that UNHCR should opt for end-to-end process documentation and audit-proof functionalities in the selection of a new enterprise resource planning system ([A/75/5/Add.6](#), chap. II, para. 56).

121. UNHCR initially did not accept the recommendation and stated that end-to-end process documentation and audit-proof functionalities were available in the current enterprise resource planning system, known as Managing Systems, Resources and People (MSRP), and that goods received notes, material stock requests and inventory adjustments had been generally recorded in a timely manner. UNHCR acknowledged that systems enhancements would need to be considered in the design of the new enterprise resource planning system. Subsequently, UNHCR confirmed that it would implement additional measures to improve inventory management through increased monitoring and would take into consideration the audit recommendation when developing the plan for inventory management of the new enterprise resource planning system ([A/75/339/Add.1](#), para. 632).

122. During the 2020 audit, the Board selected 12 samples from the “inventory on hand” asset category and 8 samples from expenses mapped to the “equipment and supplies” financial statement category to obtain evidence of whether the processing of inventory and supplies and consumables had improved in the meantime.

123. Unlike inventory, which is meant to be distributed to beneficiaries, supplies and consumables are items that UNHCR consumes to conduct its business. Supplies and consumables are recognized as expenses upon procurement, regardless of the time of consumption. Inventory is expensed at a later stage, upon distribution to beneficiaries.

124. The major findings of the Board with regard to the “inventory on hand” asset category are as follows:

(a) In three of the samples reviewed, the physical inventory verification processes did not reveal discrepancies between actual and system quantity during several monthly reconciliations and quarterly physical verifications;

(b) The goods receipt inspection was not conducted with due diligence, and items received were recorded in the goods receipt note with incorrect item descriptions, which required subsequent corrections;

(c) The quantity recorded in MSRP exceeded the quantity stored in a warehouse because applications that identify discrepancies between ordered and received quantity exceeding 5 per cent had been switched off. As at 30 September 2020, the balance sheet date, the inventory on hand was overstated;

(d) The terms of reference for a warehouse opened in March 2020 – operated by a partner agency – were communicated up front. The service provider used a non-compatible system to administer the warehouse. As a result, the purchase order information could not be reconciled with the quantities stored. The issue was revealed at a year-end physical verification exercise and took several weeks to be settled;

(e) Although the quantity of a donation in kind had been known since April 2020, one country operation recorded a much higher quantity, which was corrected only after the consignment was received in full. The issue caused confusion and required the adjustment of documents and postings, which was done in October 2020.

125. The major findings of the Board with regard to the “supplies and consumables” expense category are as follows:

(a) UNHCR procured solar power systems that were shipped to multiple partner warehouses. UNHCR confirmed that the items were likely procured to be distributed to beneficiaries and should have been treated as inventories;

(b) In two of the samples reviewed, the sequence of steps of the procurement process – requisition and subsequent purchase order – was not followed to procure medical items. The items should have been treated as inventory, but they were processed as supplies and consumables, with the result that expenses were recorded prematurely;

(c) Procurement staff were not always aware of the distinction between items meant to be distributed to beneficiaries and those to be consumed by UNHCR itself, which resulted in incorrect timing of expense recognition.

126. The incorrect records in MSRP revealed by the Board’s sample test amounted to an overstatement of inventory on hand of \$1.0 million as at 30 September 2020, the balance sheet date of the interim audit. Although UNHCR cleared the incorrect records in MSRP until year-end or with the year-end closing exercises, the cases resulted in an overstatement at several month-end reconciliations and at least one quarterly physical verification. The Board holds that the cases were not identified and cleared in a timely manner.

127. The Board holds that no evidence can be provided of whether all the items erroneously processed as supplies and consumables were distributed by year-end and would subsequently be expensed in any case, as stated by UNHCR. The question remains as to whether inventories were understated and expenses overstated. As for

some samples, UNHCR agreed that expense recognition was premature and that the items should have been recorded as inventory, which UNHCR also agreed resulted in the limited value of the expense account information.

128. The findings were comparable to those of previous years. Therefore, the Board holds that the recommendation in the previous year's report to implement additional measures to ensure the functioning of key controls in the inventory process is still valid.

129. The delayed recording of inventory transactions resulted in inaccurate month-end balances that were not revealed or corrected in quarterly physical inventory verifications. Pursuant to the administrative instruction on supply chain management activities at financial year-end (UNHCR/AI/2018/9, para. 4.2), the inventory process requires monthly inventory reconciliations and quarterly physical inventory verifications. The Board holds that the exercises are conducted to provide comprehensive information to decision-making bodies and that, therefore, a reliable month-end inventory balance is crucial to enable the bodies to make the best possible decisions.

130. The item identifier determines the further mapping of procured goods and services to a suitable expense category. The Board holds that UNHCR should ensure that all items procured for distribution to beneficiaries are recorded under the "supplies and consumables for beneficiaries" expense category regardless of the chosen item identifier.

131. The Board appreciates that UNHCR took continuous measures, such as implementing the pipeline report, to enhance the inventory process. Given the ongoing deficiencies in that process and the broad variety of recurring findings, the Board holds that the measures taken are not yet sufficient or appropriate to accurately reflect the process. Considering those facts, the Board identified much room for improvement and reiterates last year's recommendation.

132. The Board reiterates its recommendation that UNHCR implement additional measures to ensure the functioning of key controls in the inventory process (A/75/5/Add.6, chap. II, para. 56) and recommends that UNHCR consider the measures in the design of the new enterprise resource planning system.

133. UNHCR accepted the recommendation and stated that it would streamline the inventory process through the new enterprise resource planning system.

Inventory management – medical items

134. One of the samples in the area of other current assets related to the procurement of pharmaceutical and medical supplies of \$4.5 million from the sister agency the United Nations Children's Fund (UNICEF). The delivery included high-value items, including anti-malaria medicine in the amount of \$1.0 million. By the end of October 2020, about 89 per cent of the products had been delivered, but UNHCR had not received an invoice or a similar document from UNICEF and was unable to record the receipt of the products.

135. The Board holds that medical and pharmaceutical items meet the definition of inventories. UNHCR stated that, generally, such items were immediately handed over to health partners for further storage and distribution and only remained under the control of UNHCR for very limited periods of time.

136. Given the continuing COVID-19 situation, the Board expects that the delivery of medical and pharmaceutical items will become more relevant in the near future. In view of this outlook, the Board holds that it is necessary that UNHCR monitor

material quantities of drugs and medicines that are stored at logistics service providers at year-end, that UNHCR ensure that the receipt of items takes place in due course after delivery to a warehouse and that expense recognition is effected upon delivery to beneficiaries.

137. The Board recommends that UNHCR monitor and capitalize significant quantities of pharmaceuticals and medical supplies at year-end.

138. UNHCR agreed to capitalize pharmaceuticals and medical supplies for those quantities assessed as being material and identified as under its control at year-end.

Open item management

139. The Board analysed open item receivables under the line item “Other current assets”. A major element of these open items pertained to implementing partner receivables. The Board found that an amount of about \$5.0 million related to more than 150 implementing partners, against which UNHCR showed receivables with an ageing of partly more than 10 years. For most of the open items, 100 per cent allowance, and even write-offs, were recorded. If the allowances and write-offs (credit balances) were offset by the receivables (debit balances), the net ending balance of open item receivables would be about \$0.6 million. That means that the great majority of the open item receivables had a balance of nearly zero when the allowances and write-offs were taken into account.

140. The Board found that, notwithstanding the net zero balances, the open items were carried year by year with the need for follow-up, review and foreign exchange rate revaluation as at month-end and year-end. Given the ageing of the receivables and the fact that 100 per cent allowances have been applied to the majority of the balances, the likeliness that the items will ever be recovered is very limited. On the contrary, the majority of the items are more likely to be non-recoverable.

141. The Board holds that open items that are fully written off should no longer be included in open item account balances. A characteristic of a write-off is that the respective assets are derecognized from the balance sheet. The Board also holds that open item receivables for which a 100 per cent allowance is recorded should be submitted to the competent decision-making body for consideration of a write-off when a clearly defined ageing is reached or exceeded. UNHCR should define such an ageing and should ensure that items that exceed it are submitted for write-off approval. The Board holds that the existing rules on write-offs were not sufficiently used and that more proactive claims management should be applied.

142. The Board recommends that UNHCR clean up and match open item balances and corresponding write-offs that currently show small rounding differences and derecognize open items that were approved for write-off.

143. The Board recommends that UNHCR summarize cases that qualify for write-offs and present the cases to the competent decision-making body on a regular basis.

144. UNHCR accepted the recommendations.

Accounting for services of the United Nations Office for Project Services

145. Two administrative instructions primarily address contracts between UNHCR and the United Nations Office for Project Services (UNOPS): (a) a 2017 administrative instruction on UNHCR-UNOPS disbursement agreements and financial procedures; and (b) a 2020 administrative instruction on the management of the affiliate workforce.

146. When the 2017 administrative instruction was released, it was meant to streamline the overall management of disbursement agreements between UNHCR and UNOPS and the UNHCR expense verification process. It is stipulated in the instruction that the duration of a UNOPS disbursement agreement cannot extend beyond 31 December of the year in which services are provided. Also stipulated is that any continuation of services into the subsequent year must be undertaken under a new disbursement agreement concluded and signed for the subsequent year. At the end of each year, finance officers must update the advance recording details with the reference to the new disbursement agreement and close the previous year's open items. The 2017 administrative instruction was due for review by 31 December 2020 but the review has not yet taken place.

147. The 2020 administrative instruction became effective on 11 December 2020. It includes the stipulation that affiliates – including UNOPS contractors – should only be engaged after UNHCR undertakes a feasibility assessment. Also stipulated is that the assessment should consider the nature, function, responsibility, operational context and staff-to-affiliate ratio of an envisaged engagement. Also stated in the instruction is that affiliate schemes are to be designed to provide flexibility to meet short-term and temporary needs. Following this principle, UNHCR should not engage an individual through such a contract for a long period.

148. UNOPS disbursement agreements are in most cases renewed from year to year, although this practice should not be applied in accordance with the temporary nature of contract entitlements under UNOPS agreements and the 2020 administrative instruction. The Board identified the need to enhance compliance with the 2017 and 2020 administrative instructions to ensure that the stipulation on the temporary nature of the assignments would be observed.

149. The Board reviewed three samples of open item receivables against UNOPS that were recorded as prepayments under the line item "Other current assets". During its virtual field visits, the Board inquired in addition about the handling of UNOPS agreements. The total prepayments to UNOPS recorded under the line item "Other current assets" amounted to \$26.0 million as at 31 December 2020. In the samples reviewed, the Board found that the country operations failed to comply with the 2017 administrative instruction as follows:

- (a) They failed to update the advance recording details (open item keys) and to close the open items at the end of each year;
- (b) They failed to pay monthly UNOPS invoices through accounts payable rather than through a deduction from the open item account;
- (c) They failed to conclude new UNOPS agreements at the end of each year and to reconcile the open item balance from the previous year.

150. It took a long time to recover the advances from UNOPS. The Board holds that it is important to reconcile advances and invoices and to monitor the performance of UNOPS against the disbursement agreements. The closure of the open items as at year-end is important with regard to having an overview of expense recognition and receipt. In the samples reviewed, the open items could not be reconciled with the disbursement agreements for all years.

151. The Board noted that UNOPS received significant amounts of pre-financing. The advance of three months of average estimated costs is payable within 10 days of the signature of the disbursement agreement and should be processed in December of the year concerned. In addition to the advance, monthly UNOPS invoices are to be settled within 30 days of their receipt. It is not stipulated in the 2017 administrative instruction that the first invoices are to be deducted from the amount of the advance. However, it is stipulated therein that finance officers must process accounts payable

vouchers for UNOPS invoices in the UNHCR Accounts Payable Unit and that the payments must be disbursed within 30 days of the receipt of the invoice. Even in cases of disputes, withholdings are only permitted under strict conditions.

152. The Board holds that the above-mentioned procedure is not economical. It leads to pre-financing and a lack of control over amounts that are refundable by UNOPS. In the samples reviewed, significant amounts remained in the open item account over periods of more than one year, without a refund claim and without closure of the item. In the samples reviewed, it appears that the responsiveness of UNOPS to refunding excess advances when the amount of a new disbursement agreement is lower than the previous one is very slow. UNHCR should consider offsetting the payments of the first invoices in the corresponding year from the advance and beginning the payment of additional invoices only once the advance has been used up.

153. In the light of the upcoming new enterprise resource planning system, the accounting process for UNOPS disbursement agreements and potential improvements aimed at a more efficient configuration are under review. The Board holds that this review could be used to redesign the process. In particular, UNHCR should ensure that the two administrative instructions are well aligned and address the uneconomical pre-financing of UNOPS and open item management.

154. The Board recommends that UNHCR design its new enterprise resource planning system and finance and supply chain management systems to simplify the recording of UNOPS transactions, facilitate timely open item reconciliations and minimize the need for significant pre-financing of UNOPS agreements.

155. UNHCR concurred with the recommendation.

Capitalization of software applications

156. In 2020, UNHCR capitalized an internally developed intangible asset, the Population Registration and Identity Management EcoSystem (PRIMES), at \$17.7 million, with an in-service date of 31 December 2020. Accordingly, no amortization of PRIMES was recorded in the 2020 financial statements. PRIMES is a single sign-on business suite to manage access to a group of software applications. Currently the suite is a combination of mainly the following applications:

- (a) ProGres, a UNHCR registration tool;
- (b) CashAssist, a cash assistance management system;
- (c) Global Distribution Tool, a web-based application that enables users to extract distribution and verification lists from proGres and CashAssist and then tick beneficiaries off the list by using biometric verification;
- (d) Rapid Application, an application for mobile devices that allows for the rapid input of identity-related data when operating offline;
- (e) Global biometrics, biometric systems that collect and manage biometric data, such as fingerprints and iris scans and enables UNHCR to preserve and secure unique identities over time;
- (f) Audit Portal, an application designed to enable proGres users to generate audit reports from the PRIMES audit database;
- (g) The DataPort, a repository of curated statistics and data generated by the various applications and elements of the PRIMES ecosystem.

157. Besides PRIMES, some of the applications are capitalized as separate intangible assets and some are not: proGres, CashAssist and global biometrics were capitalized as separate intangible assets in 2018, 2019 and 2015, respectively, and have net book

values of \$10.2 million, \$1.6 million and zero, respectively, as at 31 December 2020. Global Distribution Tool, Rapid Application, Audit Portal and the DataPort are not capitalized separately.

158. IPSAS require that intangible assets that can be separated or divided from the entity and sold, transferred, licensed, rented or exchanged be capitalized separately.

159. The Board asked for a breakdown of the amount of \$17.7 million into the separate applications and components. UNHCR stated that it could not provide a breakdown because neither purchase orders nor staff costs were structured separately. UNHCR stated that, at that time, no project control system for the recording of staff time for each project was in place. UNHCR also stated that it would be extremely labour-intensive to gather those costs separately by application and that a project costing solution was not in place. UNHCR indicated that the useful life of the separate applications was aligned with the useful life of the suite.

160. The Board holds that, for each of the above-mentioned applications that can be accessed through PRIMES, UNHCR can decide whether the single application is to be individually sold, transferred, discontinued, etc. UNHCR can also decide to add additional applications to the platform. Thus, the IPSAS requirement for a separate capitalization of the PRIMES components has been met in the view of the Board. Moreover, in the past, UNHCR captured the acquisition cost of single components of PRIMES, for example proGres and CashAssist, separately.

161. UNHCR stated that it appeared very unlikely that any of the assets had any value in use to any party other than UNHCR, so the concept of transfer or sale of separable elements appeared to be moot. UNHCR also stated that a platform bringing software applications together would appear to be a single asset and would not require separation. UNHCR indicated that the functionality to work together, rather than separable assets, might be part of the overall solution. UNHCR stated that it appeared that, if one element in the coordination platform was discontinued, the organization would need to check as to whether the overall value of the platform was impaired, but that there was no need for, possibility of or value in trying to create separate components of PRIMES as a coordination platform. UNHCR indicated that, owing to materiality and the inability to reliably split the costs across all of the elements, it would not be attempting to split the costs of the various components retroactively for 2020.

162. The Board concurred with the UNHCR approach for 2020 owing to materiality considerations. The Board noted that other United Nations agencies had a stake in using, for example, proGres and CashAssist, which cast doubt on the presumptions of UNHCR that the assets under the platform were not separable and did not have separable values. Therefore, the Board holds that UNHCR should create the conditions for the separate capitalization of the PRIMES components in the future.

163. The Board recommends that UNHCR ensure that the cost components of intangible assets will be separately identifiable in the future to enable the separate capitalization of intangibles where required by IPSAS.

164. UNHCR concurred with the recommendation and stated that processes are set up for future intangibles to be separately identifiable.

Fuel management

165. In 2020, UNHCR recognized expenses for fuel and lubricants of \$27.5 million, which account for some 11 per cent of total operating expenses. In all, \$23.8 million of these expenses are allotted to the African continent (apart from North Africa), which equals 25 per cent of the operating expenses in this region. In view of the significant ratio of fuel to total expenses, in particular in the Africa region, the Board considers fuel management to be an important part of UNHCR activities.

166. The Board reviewed samples of fuel expenses as part of its financial audit and focused on fuel management during its virtual field visits. The Board became aware of very different systems of fuel management in the various country operations.

167. The Board found one country operation in which fuel management required fundamental improvements. The applied system was not cost-efficient and was error-prone, with weak documentation and monitoring and diverging accounting. In this case, the country operation operated its own fuel tanks and involved a service provider to operate them and another company to inspect, maintain and repair them, bearing the risk of having hazardous goods with potential environmental impacts. The Board found that about 20 persons (UNHCR staff members and staff of the implementing partner) were involved in the monitoring of monthly fuel activities. In other countries, fuel storage and control of the fuel stock was outsourced to external fuel distributors that managed the local infrastructure to distribute fuel by means of fuel cards. While the technical processes seemed to work quite well, the Board saw the need to improve the monitoring and accounting procedures, in particular with regard to the timing of expense recognition and the reconciliation of year-end quantities and long-outstanding open items from prepaid fuel cards.

168. In two of the countries visited virtually, the Board asked for documents in which the operations organized and summarized their fuel processes. Only one of the country operations provided a document, which resembled a delegation of authority plan. Standard operating procedures are commonly understood to be a set of step-by-step instructions to help staff members to carry out routine transactions. They are aimed at achieving efficiency, high-quality output and uniformity of performance while reducing miscommunication and non-compliance with regulations. A mere delegation of authority plan does not include, in particular, a description of the background of the process, potential risks and risk mitigation, timelines, etc.

169. On the basis of the findings, the Board holds that UNHCR should analyse possible models of and procedures for fuel management. UNHCR should develop a preference for whether the storage and distribution of fuel should be handled by UNHCR operations themselves (with the attendant risks, responsibilities and accounting consequences for UNHCR) or by third-party companies. UNHCR should determine which model is most cost-efficient, best meets the operational requirements of the global fleet and is best suited for monitoring and oversight in the given country-specific context. The Board also holds that the overall monitoring of fuel needs to be improved. The regional bureaux could play an important role in advising on and aligning the fuel-related processes in the countries under their purview.

170. The Board found that the current guidelines on fuel management are not sufficiently detailed and leave room for interpretation. The Board holds that new guidance should provide streamlined instructions that are oriented to a consistent, organization-wide approach to fuel management. The Board also holds that templates for standard operating procedures in particular can be helpful in setting up a consistent and clear process of fuel management. The guidance should consider local specifics, in particular with regard to fuel procurement, storage and distribution.

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.

172. The Board recommends that UNHCR implement measures to facilitate the monitoring of fuel management in the country operations. The regional bureaux could play a role in identifying and reconciling discrepancies in quantities and in expense recognition with regard to fuel.

173. UNHCR agreed with the recommendations and stated that it would review existing fuel management arrangements and was working on an administrative instruction for fuel management to streamline, standardize and harmonize existing set-ups and procedures. UNHCR stated that it would liaise with the regional bureaux to explore the establishment of regional fuel contracts, where feasible.

Vendor registration and management

174. Vendor management is a critical instrument for achieving best value for money and ensuring fairness, integrity and transparency as well as effective international competition in procurement.

175. The United Nations Global Marketplace is the official procurement portal of the United Nations system. It acts as a single window through which companies may register themselves as potential vendors to that system. More than 25 United Nations agencies, including the Secretariat, use this portal.

176. The Global Marketplace automatically compares the details of registered vendors with those of companies or individuals on sanctions lists.

177. The Board noted that UNHCR encouraged vendors to register their company with the United Nations Global Marketplace. However, such registration was not a prerequisite for registration with UNHCR. UNHCR carried out its own checks against sanctions lists through a combination of manual review and robotic process automation.

178. The Board holds that the use of the United Nations Global Marketplace may help UNHCR to prevent the conduct of duplicate checks and to optimize controls. It would be helpful if the information recorded in the Marketplace could be synchronized with UNHCR systems. Given that UNHCR is in the process of restructuring the enterprise resource planning system, the Board holds that UNHCR should explore the inclusion of such an interface, as well as the associated costs and benefits. A portal used by the majority of United Nations entities would also help to harmonize the procurement activities of the United Nations system.

179. According to the vendor report from the enterprise resource planning system, UNHCR recorded 155,679 suppliers. Only half the suppliers (74,874) had the status “approved”. Almost the same number (74,487) had the status “inactive”, meaning that they could not conduct business with UNHCR. The remaining suppliers (6,318) had the status “denied”, “draft”, “submitted for approval” or “to be archived”. UNHCR explained that supplier data could not be deleted from the system.

180. The Board noted that several vendors seemed to have been registered more than once. Some suppliers were registered twice in one country. Because the certificate of incorporation was not uploaded to MSRP, the Board could not verify whether the supplier actually had more than one independent company in the country. The Division of Financial and Administrative Management also identified several duplicates.

181. Vendors may request registration with UNHCR through various mechanisms, either directly through headquarters or from the relevant country office or regional bureau, depending on whether they are interested in solicitations initiated at international, local or regional level. UNHCR staff members enter and approve the vendor data in MSRP.

182. The Board reviewed critical roles for vendor registration and noted weaknesses in the design of the registration process and its implementation. For example, the internal approval process required multiple approvals. The number of people involved in the process was high, and they were distributed unevenly across countries. The

Board noted that some critical roles had similar responsibilities in the process. Weaknesses in the process had also been highlighted by OIOS in 2019. The Board shared its detailed findings with UNHCR.

183. For recent registrations, headquarters staff usually attached supporting documents, such as the certificate of incorporation. In addition, changes to the data were supported by documents and explanations. Staff at country operations did not always attach supporting documents.

184. The Board considers it important that processes be in place to ensure that master data are valid and duly authorized and that an adequate audit trail confirms data integrity. Owing to the decentralized approach, a significant number of staff members are authorized to enter and change supplier master data. The number of vendor registrations that each staff member performs, and therefore also the experience and routine of the individual staff member, will differ. The Board holds that a centralized approach to at least the approval step would ensure that only experienced staff members activate and change supplier data and that the same procedure is followed. It would also help to avoid duplicates.

185. The high number of inactive suppliers and additional potential duplicates shows the need to clean up the data before they are migrated to the new system. It would be helpful if incorrect supplier data could be deleted from the system. In addition, UNHCR should review the three-step registration process with a view to simplifying the process and clearly defining the respective responsibilities.

186. The Board recommends that UNHCR encourage vendors to register with the United Nations Global Marketplace and that the organization review the costs and benefits of an interface between the Global Marketplace and the new enterprise resource management system to enable synchronization of vendor master data.

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.

188. UNHCR accepted the recommendations and stated that it would evaluate the costs and benefits of an interface between the United Nations Global Marketplace and the new enterprise resource planning system. Regarding the process for supply registration and subsequent changes to supplier data, UNHCR stated that it was in full agreement that the current operating model needed to be re-evaluated. UNHCR also stated that the process change would be integrated into the design and implementation of the new enterprise resource planning system.

7. Cash assistance to beneficiaries

189. In 2020, UNHCR further expanded the use of cash assistance programmes. The total amount of cash assistance increased by \$49.2 million, or 8 per cent, to \$695.1 million. The amount involved in direct programmes was \$607.7 million (\$569.7 million in 2019). Programmes implemented through partners accounted for \$87.4 million (\$76.2 million in 2019) of the expenses. In the light of the COVID-19 pandemic, the use of cash assistance proved to be an effective response modality. More than 65 country operations launched new cash initiatives and/or expanded existing cash assistance as an efficient means of mitigating some of the negative socioeconomic impacts of the pandemic and reducing COVID-19 transmission risks. A comparison of the major cash assistance categories in 2020 and 2019 is shown in table II.8.

Table II.8
Cash assistance to beneficiaries, 2020 and 2019

(Millions of United States dollars)

<i>Expense category^a</i>	<i>2020</i>	<i>2019</i>	<i>Variance</i>	<i>Variance (percentage)</i>
Basic needs (multipurpose)	643	590	54	9
Repatriation needs	3	7	(4)	(53)
Other cash assistance	48	49	(1)	(1)
Total cash assistance	695	646	49	8

Source: UNHCR financial statements.

^a Including assistance through implementing partners.

190. During the 2020 audit, the Board audited cash assistance samples from 14 country operations that totalled \$36.8 million and conducted interviews with the cash assistance units of the country operations and regional bureaux during five virtual field visits. The findings of the Board concern mainly data management and data flow in technical applications, the functionalities of the applications, the determination of cash transfer amounts and required updates to the administrative instruction and guidance material.

Data management and data flow

191. UNHCR often uses implementing partners to enrol eligible persons of concern in cash programmes. In such cases, UNHCR staff are, inter alia, involved in the quality check of the data and the compilation and authorization of payment lists. The Board reviewed the data quality check of selected country operations that was conducted prior to the release and transmission of cash payment lists to the financial service providers. In three country operations, the Board observed shortcomings in the documentation of the quality check. In particular, the Board found cases of duplicate household identity documents in payment lists when household compositions had changed over time. The Board holds that UNHCR should use unique identifiers for all households supported. Country operations should document data quality checks.

192. The Board noted that the applicable administrative instruction on cash assistance (UNHCR/AI/2017/15) does not define requirements for data quality checks and data verifications. Given that these data form the ultimate basis of the subsequent cash distributions, the Board holds that the initial check of such data is essential to the entire process. The Board also holds that the requirement of quality checks of the data of persons of concern should be included in the administrative instruction, in particular if the data of the persons of concern are collected by third parties.

193. The Board recommends that UNHCR use unique identifiers in payment lists and improve the quality control of the underlying data of persons of concern to enhance the clarity of the lists and to avoid duplication.

194. UNHCR agreed with the recommendation.

195. The Board recommends that UNHCR include a clear reference to the need for verification and quality checks of the data of persons of concern collected by third parties (governments, implementing partners or others) in administrative instruction UNHCR/AI/2017/15.

196. UNHCR agreed to include a reference to UNHCR registration management in the administrative instruction.

Cash management system

197. In its 2019 report, the Board commented that the further roll-out of the UNHCR cash assistance management system (CashAssist) was an important element of enhanced and coherent documentation and oversight in the cash assistance process. The Board recommended that the roll-out of CashAssist be expedited. CashAssist integrates a number of features and automated cross-checks into one electronic database, starting from the registration data up to the reconciliation of the final cash distributions. The Board took note of the continuous efforts of UNHCR to roll out CashAssist despite difficulties caused by the COVID-19 pandemic. UNHCR stated that it planned to prioritize the roll-out in 62 country operations, with cash assistance programmes of more than \$50,000 directly implemented per year by the end of 2021. The roll-out is to be accompanied by training sessions and dedicated support from headquarters.

198. In its 2020 audit, the Board found that nine country operations used CashAssist for the processing of cash payments. The Board reviewed in detail the CashAssist-related processes in one country operation. The review confirmed the need for improvement in end-to-end data management in CashAssist. The problems related mainly to a lack of integrated processing of cash payment lists transmitted to the financial service provider through an application programming interface and to the MSRP system.

199. The country operation handled the data flow from the proGres software to CashAssist manually through Excel distribution lists. Although CashAssist provides for targeting functionality, the manual processing was performed. The bank reconciliations revealed erroneous transactions. The Board found that the financial service provider communicated a failed payment status for successfully processed transactions, that is, false negatives. Hence, the status of the affected transactions was shown as undelivered in CashAssist, while the same transactions were actually paid by the financial service provider, resulting in duplicate and triplicate payment attempts. In the end, UNHCR did not incur a financial loss because refunds were requested and received from the financial service provider. UNHCR experienced similar errors, although not at the same level of complexity and magnitude, in another operation using an application programming interface in conjunction with the financial service provider.

200. By using Excel spreadsheets to transfer data from proGres to CashAssist, the country operation under review did not make use of the full functionality of CashAssist. Separate sheets involve additional manual interventions, which introduce the risk of inconsistencies and manual errors. The Board concurs with UNHCR that it is essential to accompany the further roll-out of CashAssist with training and knowledge-sharing to ensure that operations make the best use of CashAssist functionalities. UNHCR agreed that the operation and headquarters could look into the possibility of having the targeting done in proGres or CashAssist, which was currently not the case. The Board noted the need to improve connectivity between CashAssist and the financial service provider gateways. UNHCR stated that this was one of the reasons that it was currently sourcing a vendor and digital bank connectivity platform.

201. The Board reconciled CashAssist payment data of \$177.6 million with cash assistance expenses recorded in MSRP. In four country operations with a total of \$128.3 million in cash assistance, the processed payments, according to CashAssist, were about \$0.7 million higher than the expenses recorded in MSRP. Upon enquiry

by the Board, UNHCR reconciled the discrepancy and included the refund of the unspent card balance, a reduction of expense recorded in MSRP but not in CashAssist.

202. The Board holds that UNHCR needs to include a common identifier for payment lists in CashAssist to reconcile MSRP and CashAssist data on a monthly basis. An identifier would help to recognize discrepancies between MSRP and CashAssist early and to avoid them in the future.

203. The Board recommends that UNHCR promote the use of the full spectrum of CashAssist functions in its further roll-out to reduce manual interventions and to use the automated workflows of CashAssist for the end-to-end processing of data.

204. UNHCR agreed and stated that headquarters would provide further training with the aim of eliminating manual interventions between CashAssist and proGres and of making full use of existing functionalities in CashAssist.

205. The Board recommends that UNHCR develop a technical support solution to improve connectivity between financial service providers and CashAssist and to ensure that significant systematic errors in the application programming interface for CashAssist can be detected earlier and fixed more easily.

206. UNHCR agreed and stated that, together with the United Nations International Computing Centre, it was in the process of selecting a vendor to establish a central digital connectivity hub for secure and reliable connectivity with financial service providers.

207. The Board recommends that UNHCR introduce an identifier that makes payment reconciliation between the enterprise resource planning system and CashAssist feasible and that UNHCR establish a monthly interface reconciliation between CashAssist and the system.

208. UNHCR concurred with the recommendation.

Determination of cash transfer amounts

209. For the determination of cash transfer amounts, UNHCR currently refers, among others, to a multi-agency operational guidance document and toolkit on multipurpose cash grants. The guidance was published by UNHCR and several other agencies and humanitarian actors in 2015.

210. The Board found that the guidance has several shortcomings with regard to the purpose of transfer value calculation. As a multi-stakeholder document, the guidance does not cover UNHCR organizational specifics, nor does it define responsibilities for the determination of the cash transfer value in the country operations. Moreover, the guidance dates from 2015. It does not cover recent developments in the area of cash programming. From its very beginning, when the guidance was first issued, the chapter dealing with coordination was highlighted as work in progress. The Board found that the guidance lacks reference to existing databases and does not include the mention of digital tools that would help operations to obtain information on market prices.

211. During the review of cash transfer calculations, the Board found that one out of eight country operations was able to share up-to-date calculations of the minimum expenditure basket, which included various sector components, such as food, education and shelter, for 2020. Four out of eight country operations paid a lump-sum amount to receiving households. As a consequence, a single adult received the same amount as a family with several children. The Board holds that a lump-sum approach cannot lead to a fair cash distribution, even if a detailed minimum expenditure basket analysis were conducted. The Board found that the regional bureaux could play a role

in disseminating and supporting the market price information and analysis of country operations in their region. Secondary data and analysis of other humanitarian actors providing cash assistance should be taken into account in the transfer value determination.

212. The Board recommends that UNHCR issue guidelines for the calculation of cash transfer values that give operations flexibility to define the best approach to calculating the transfer value on the basis of their operational context and with the involvement of the regional bureaux.

213. UNHCR agreed with the recommendation.

Administrative instruction on cash-based interventions

214. The administrative instruction on the financial procedures for cash-based interventions (UNHCR/AI/2017/15) provides specific guidance on such interventions. The guidance relates to the administrative requirements of UNHCR with regard to financial risk management, risk management, internal controls and the reporting of cash assistance. The instruction is currently under regular periodic review by UNHCR.

215. In the administrative instruction, it is stipulated, inter alia, that all country offices implementing cash-based intervention programmes through direct implementation must prepare programme-specific standard operating procedures. With many such programmes running for several years, the standard operating procedures need to be adapted to changing operational contexts, for example evolving emergencies or the impacts of the COVID-19 pandemic.

216. Pursuant to the administrative instruction, the standard operating procedures are to be reviewed and cleared by the cash-based interventions and the treasury unit before approval by the representative and before beginning, extending or changing the implementation of the cash-based intervention programmes. During the 2020 audit, the Board audited cash assistance samples from eight country operations, focusing on standard operating procedures and annex clearance. In more than half the cases reviewed, the Board noted discrepancies between annexes listed in the signed standard operating procedures and annexes provided by the country operations.

217. If instructions to staff members are not unequivocal, it can result in uncertainties in the implementation of programmes, or even hamper their implementation, and make the review more difficult. The Board holds that the administrative instruction should define which specific annexes of the standard operating procedures are to be cleared by headquarters once again when the annexes are amended during the implementation of the cash-based intervention programme. Moreover, all annexes of the standard operating procedures should contain information on their effective date and timeline and on the entity that has brought them into force. Annexes of the standard operating procedures should be saved as protected files with the version number and signed digitally or on paper or analogues.

218. In 2020, UNHCR expanded its cash-based intervention risk assessment tools. In addition to publishing the sample list of financial risks in the standard operating procedure template (annex G), UNHCR published a dedicated risk management toolkit for cash-based interventions, published by UNHCR. The toolkit includes several risk events related to registration, verification and data management.

219. The Board recommends that UNHCR, as part of the review of administrative instruction UNHCR/AI/2017/15, update the instruction with regard to risk management, define that, in cases of amendments to mandatory annexes of standard operating procedures during programme implementation, the amendments must be cleared once again by headquarters and stipulate that

all annexes be saved in protected format and uploaded with their version number, modification date and effective date.

220. UNHCR agreed with the recommendation and stated that it would consider including this requirement in the upcoming review of the administrative instruction or in an equivalent communication to the field.

8. Implementing partnership management

221. UNHCR implements a large share of its projects through implementing partners. Implementing partnership expenses increased slightly, by \$47.2 million, or 3.5 per cent, and they are equivalent to 31 per cent of total expenses in 2020. In 2020, implementing partnership expenses amounted to \$1,392.2 million (in 2019: \$1,345.0 million). For each project, UNHCR and the partners sign a project partnership agreement, generally for a duration of up to one year. In 2020, UNHCR concluded 1,679 agreements with implementing partners and 55 agreements with United Nations system agencies and the International Organization for Migration.

222. Of the total implementing partnership projects, an estimated budget value of \$1,151.1 million was subject to independent audits by third-party auditors. UNHCR selected the projects based on a risk assessment of each project and the implementing partner organization. As at 2 July 2021, of the total amount requiring audit certification, UNHCR had received 666 certificates, representing 81 per cent of the budget value. Thus, a high level of coverage such as in previous years (82 per cent in 2018) could again be achieved in 2020. For 2019, the coverage stood at 56 per cent as at 26 June 2020 owing to the emerging particularities of COVID-19, and UNHCR had received only 75 per cent of the external audit certificates by October 2020.

223. In 2020, the Implementation Management and Assurance Service issued a memorandum that contained partnership management-related guidance on the COVID-19 situation. The guidance advised operations, where needed, to discuss with partners the remote monitoring of projects. While some operations were able to continue regular monitoring, many began to implement remote monitoring practices. The practices included, inter alia, holding virtual daily or weekly debriefs, requesting more regular reports from partners, conducting regular phone and email communications, date-stamping photographic evidence of project activities and sites and cross-checking and verifying data collected against secondary data. Most operations opted for community- and technology-based remote monitoring, with third-party monitoring also being used, although to a lesser extent. UNHCR headquarters and regional bureaux supported the country operations, inter alia, by expanding the monitoring community of practice to discuss best practices, challenges, tools and approaches for programme monitoring activities.

224. In response to the COVID-19 situation, taking note of the enhanced remote monitoring activities and in line with the approach taken in 2019, the Board has obtained alternative audit evidence. That has included additional analysis and confirmation by country operations of the monitoring and oversight activities that they had carried out over the year. The operations summarized the results of project verification and the risk-based monitoring of projects throughout 2020 conducted by multifunctional teams and project control staff. In addition, the third-party auditors provided interim status updates in cases in which their audits were continuing. The Board discussed the trend of decreasing audit findings in the external audit certificates with UNHCR. UNHCR stated that the reasons for the decrease were improvements to and additional flexibility in the partnership management framework, as well as the improved quality of partner work. Furthermore, for some partners with modified audit opinions in the past, they were terminated or their budgets were decreased significantly during 2020.

225. The pursued level of coverage of external verification of implementing partnership agreements is shown in table II.9.

Table II.9
Project partnership agreements subject to the external verification process

Type of partner	Total number of project partnership agreements ^a	Total budget value (millions of United States dollars)	Agreements subject to external verification			
			Number	Percentage of total number of agreements	Value (millions of United States dollars)	Percentage of total budget value
National non-governmental organizations	864	571	357	42	472	83
International non-governmental organizations	555	640	313	56	526	82
Governments	260	176	137	51	153	87
Total	1 679	1 387	807	48	1 151	83

Source: UNHCR, Implementation Management and Assurance Service, report on 2020 project audit certification, 2 July 2021.

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

226. The number of unqualified and modified audit opinions in the years 2018 to 2020 is shown in table II.10.

Table II.10
Project partnership agreements with modified audit opinions, 2018–2020

Type of opinion	2020 ^a		2019 ^b		2018 ^c	
	Number	Percentage	Number	Percentage	Number	Percentage
Unqualified	640	96	645	95	694	87
Modified	26	4	31	5	100	13

Source: UNHCR, Implementation Management and Assurance Service, report on 2020 project audit certification, 2 July 2021.

^a Not fully complete, as 141 audit certificates remain pending as at 2 July 2021.

^b Status as at 5 October 2020.

^c Status as at 28 June 2019.

Comprehensive guidance material

227. In its 2018 and 2019 reports, the Board issued recommendations in the area of implementing partnership management that required, inter alia, that UNHCR amend its partnership-related instructions (see A/74/5/Add.6, para. 262, and A/75/5/Add.6, chap. II, para. 80). In response to the recommendations, UNHCR issued amendments to two administrative instructions in 2020. UNHCR included the response to the 2018 recommendation in the administrative instruction on detailed planning, budgeting, monitoring and implementation for 2021 (UNHCR/AI/2020/11) and the response to the 2019 recommendation in the instruction on the closure of accounts for the year ending 31 December 2020 (UNHCR/AI/2020/13).

228. The Board welcomed the new regulations in response to the previous recommendations and closed the recommendations. However, the Board noted that the above-mentioned administrative instructions are annual instructions for which an

annual process of renewal ensures that regular reviews are conducted. Unlike in the case of perennial administrative instructions, there is no guarantee that the new regulations will be carried on in the following year's version of the instructions.

229. The Board noted that UNHCR is currently in the process of reviewing and simplifying the implementing partnership management processes. New instructions were issued in direct relation to the COVID-19 pandemic at the beginning of 2020. As mentioned above, further regulations were introduced in the instruction on the closure of accounts for the year ending 31 December 2020 and in the instruction on budgeting for 2021. The Board noted that consolidated, comprehensive guidance material on implementing partnership management does not exist. The partnership-related instructions are currently spread over several documents. In addition to the above-mentioned instructions that contain regulations for partnership management, there is one administrative instruction on the management of UNHCR-funded partnership agreements (UNHCR/AI/2017/16). However, it does not contain end-to-end instructions on partnership management. For example, the management of partner personnel is stipulated in a separate instruction (UNHCR/AI/2017/3). With regard to procurement by partners, another instruction is relevant (UNHCR/AI/2018/1), and the risk-based project audit approach is regulated in one further instruction (UNHCR/HCP/2015/5).

230. The Board holds that comprehensive guidance material that summarizes the existing regulations on partnership management across multiple years in one place and in a condensed manner would make the processes more transparent and would simplify everyday operations. The Board also holds that the ongoing review provides a good opportunity to incorporate and bring together new and existing instructions in one comprehensive guidance document. Moreover, new roles and responsibilities of the second line of defence function of the regional bureaux could be made clear in the comprehensive guidance material.

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.

232. UNHCR accepted the recommendation and stated that it was in the process of compiling comprehensive guidance material on implementing partnership management.

Extension of project implementation periods owing to the COVID-19 pandemic

233. The COVID-19 pandemic necessitated that partners and UNHCR adjust programmes to the changed circumstances. The restrictions on movement and social distancing were highly variable in severity, duration and extent. Some partner projects faced delays in implementation. In several countries, UNHCR staff could not obtain access to field locations (e.g. to prevent infection in the refugee camps), border closings hampered the delivery of required materials (e.g. for construction) or certain initiatives by the host Government created obstacles to project implementation (e.g. school closings). UNHCR issued memos, guidelines and instructions in the course of 2020, introducing relevant flexibility measures to respond to the challenges and to support country operations with certain simplification measures.

234. Owing to the challenges in partner project implementation, an unusually high number of projects could not be finalized within the regular project implementation period of one year. As a consequence, the liquidation period – the period in which the partner settles remaining outstanding obligations for delivered and completed activities – had to be prolonged. From a financial perspective, the extension of the implementation period often leads to a deferral of IPSAS expenses. If the

implementation period is extended to the following financial year, the corresponding expenses have to be deferred. Therefore, such extensions require special monitoring and are authorized only in exceptional cases. For the reasons above-mentioned, the COVID-19 situation represented such an exceptional case.

235. In 2020, UNHCR deferred \$44.7 million for 113 projects for which the delivery of services was extended to 2021. In comparison, in 2019, the amount stood at \$22.8 million for 61 extended projects. The nearly doubled number and value of extended projects were attributable primarily to the COVID-19 pandemic.

236. In the past, such an extension required the written authorization of the Controller. In 2020, UNHCR changed this provision, and the Controller delegated his authority to the regional bureaux. The delegation of authority was stipulated in the administrative instruction on the closure of accounts for the year ending 31 December 2020.

237. The Board found that the administrative instruction did not indicate a specific role or responsibility at the regional bureaux. UNHCR provided an overview table organized by each regional bureau that listed all agreements with approved extensions and the rationale for their approval. The Board noted that no standardized documents could be obtained that showed who had submitted the request and by whom the extension of the implementation/liquidation period was approved. In view of the exceptional nature of cases of extension and corresponding monitoring requirements, the Board holds that the approval process should be regulated more clearly in a management-specific instruction on implementing partnership. A standardized template for the application and approval would enhance the process and make it more easily reconcilable.

238. The Board recommends that UNHCR assign clear approval responsibility at the regional bureaux for granting extensions of the implementation/liquidation periods of implementing partnership agreements in the upcoming comprehensive guidance material on implementing partnership management.

239. UNHCR accepted the recommendation and stated that it will include required clarification in the planned guidance material on implementing partnership management.

Personnel deployed by implementing partners

240. In 2020, \$604.9 million (43 per cent) of the implementing partnership expenses were related to partner personnel costs. UNHCR has put several rules in place through various guidance materials to regulate the handling of partner personnel costs. The administrative instruction on partner personnel (UNHCR/AI/2017/3) provides a description of the framework conditions under which UNHCR commits to contributing to the partner personnel costs that arise from partner agreements. The country offices are required to ensure that the clarified prerequisites are met: negotiations before the signing of the partner agreement with the partner on staffing with regard to number, skills and UNHCR cost contribution shall ensure the efficient achievement of objectives on behalf of persons of concern.

241. As part of the partner agreement, the partners have to provide a partner personnel list to present detailed information on the budgeted personnel costs per head (see the administrative instruction on the management of UNHCR-funded partnership agreements, UNHCR/AI/2017/16, annex E, guidance note 8, para. 4.2.2 (c)). The file contains a list of all budgeted positions on the particular project, with the following details: functional category (salary scale category), position title, name of the incumbent (if already available), percentage of engagement in the project, duration of the engagement, monthly cost of engagement and monthly UNHCR contribution towards engagement costs. On the basis of this information, UNHCR is empowered

to verify whether the suggested staffing is plausible and reasonable and to negotiate the staffing with the partner, as required in the guidance, to avoid inefficiencies such as overstaffing. Annex E is provided at least in connection with the original and the final budgets.

242. Annex E to the above-mentioned administrative instruction is also used by the country offices to verify the personnel costs reported by the partners in the project finance report. During the project duration, the partners submit project finance reports to present and justify the costs incurred. The finance report is in the same format as the budget: it is structured by cost centres and objectives, with the associated MSRP accounts and costs listed below each objective. The budget amounts are presented side by side with the new and accumulated costs incurred and the instalments paid by UNHCR. UNHCR country offices verify the finance report and reduce the costs in case they are not eligible before the amounts are booked in MSRP. If the actual costs vary to a great extent from the budgeted amounts, UNHCR is able to request further details from the partner on the make-up of the costs. Using annex E and further details obtained on the actual costs, UNHCR is able to compare the actual reported costs with the budget and to detect possible disadvantageous deviations per incumbent.

243. Programme and project control officers use annex E for planning and verifying the staffing of partners. When site visits are carried out, annex E provides an overview of the number of people who should be working at a particular site (e.g. nurses in a hospital), and the people present can be checked against data in annex E to compare actual and budgeted costs. Consultation of the annex also enables sample testing to ensure that the people billed to UNHCR have a valid contract with the partner and receive a salary that matches that of the provided attendance sheet and payslip, thereby enabling UNHCR to more easily detect possible inconsistencies.

244. The Board noted that, in the administrative instruction on detailed planning, budgeting, monitoring and implementation for 2021, new regulations regarding partner agreements were included in the annex on measures for implementing funded partnerships for 2021. In paragraph 11.3 of that annex, it is stated that the preparation of annex E will no longer be necessary for 2021 onwards.

245. Given that partner personnel costs constitute a significant part of the overall costs (43 per cent in 2020) in partnership agreements, the inherent risks need to be mitigated appropriately by requesting sufficient information from the partner. The Board found that some offices intended to continue to request annex E from the partner because the report was found to be helpful to negotiating the budget of the partnership agreement with the partner and to fulfilling their verification and monitoring tasks properly.

246. The Board holds that, as a proven tool, annex E provides a good approximation of the expected number and kinds of positions and related costs of partner personnel involved in a project. The partner is expected to keep track of the staff engaged in the various projects to ensure correct cost allocation. The sole reporting requirement already serves as a control function because it underlines the awareness of UNHCR regarding the partner personnel costs.

247. The Board holds that the new results-based management processes should also require a revision of the UNHCR personnel monitoring and reporting mechanisms, which provides an opportunity to embed the enhanced tools in the upcoming guidance material. Employee trainings on the new processes and the application of the new tools could further support the successful transition to the new approach.

248. The Board recommends that UNHCR provide further instructions and training to programme and project control staff on the mitigation of partner personnel-related financial risks in the upcoming comprehensive guidance material.

249. UNHCR agreed with the recommendation.

250. Annex E also contains information on the UNHCR contribution to the salary per position. Details on the UNHCR contribution are presented in the administrative instruction on partner personnel (UNHCR/AI/2017/3). For the international personnel of implementing partners, the UNHCR contribution is linked to the International Civil Service Commission index, which is accepted United Nations-wide. In contrast, for the national personnel of the partners, a local rate is considered more feasible owing to the diversity of national personnel and their functions.

251. In accordance with the administrative instruction on partner personnel, UNHCR country teams should establish the local rates or conduct a survey on the basis of local market research with the involvement of the partners. The results should be reflected in a national salary scale and reviewed regularly, with mandatory updates every two or three years. If a review is not possible or practical, the administrative instruction on budgeting for 2021 allows further methodologies in the form of per cent adaptations.

252. The salary scale is used in the budget discussions with the implementing partner to justify the maximum contribution of UNHCR to the salaries paid by the partner. In cases in which the salary of the partner personnel exceeds the maximum contribution, the partner is responsible for the difference. This prevents UNHCR from paying excessive salaries if the salary scale as the basis for the negotiations is determined thoroughly.

253. For a sample of 17 partnership agreements, the Board requested the corresponding 15 national salary scales that were used to determine the UNHCR contribution to the salaries for the national personnel of the partners. The Board noted the following:

(a) In 4 of 15 cases, no salary scale was available, and in 2 cases, no salary scale was provided because the partnership agreement did not include partner personnel costs;

(b) In 1 case, a national salary scale was available, but the partner's salary scale was still applied;

(c) In 9 cases, the salary scales included the required functional categories A to E according to the United Nations functional classifications, and in 1 case, additional category F was added.

254. All of the salary scales except one contained further subcategories, and all except two stated salary ranges per category. The salary ranges for each category partly overlapped in most cases. The subcategories varied to a great extent in number and grade of detail between the samples, and one sample also comprised a second dimension per function. In two samples, it was stated clearly that the market research was only based on national and international non-governmental organization salaries.

255. The Board noted that the configuration of the salary scales varies a great deal between the countries. The preparation of concise guidance material on agreements with partners offers the opportunity to further specify the minimum standards for the preparation and application of the salary scale. Such material could describe how salary survey data should be obtained, such as what criteria should be applied to establish the basis population that should be used for market research. Furthermore, it could provide detailed guidance on the methodology, that is, how the data obtained from a survey or other sources should be converted to the salary scale. A minimum quality standard should be achieved in this way. In addition, a minimum grade of detail required for the salary scale should be defined to achieve a more standardized format, which could facilitate the allocation of staff to the scale.

256. **The Board recommends that UNHCR revise its guidance and instructions on partner personnel contributions to address the shortcomings identified with regard to salary scales and to improve the mitigation of relevant risks.**

257. UNHCR accepted the recommendation.

Partner selection process

258. In connection with the review of open item management, the Board found that a considerable number of open items pertained to implementing partner receivables. The receivables were the result, inter alia, of ineligible expenses, underspending or audit findings. The Board noted that, in six out of seven reviewed cases, no reminder documents had been uploaded, and the cases had been dormant since 2009, 2011 and 2015, respectively. The Board also noted that at least two out of the seven samples were still active partners of UNHCR. One of the partners was active in a country operation other than the one having the receivables against the partner.

259. The Board holds that the implementing partner retention process should be informed by the outstanding receivables that a partner owes to UNHCR. Currently, neither the guidance note on implementing partnership management nor annexes A and H contain guidance to review if the partner has unsettled liabilities against UNHCR. Furthermore, offsetting receivables with payable instalments, even in other country operations, could be an option to reduce financial losses.

260. **The Board recommends that UNHCR consider open receivables against an implementing partner in the reselection process of a former partner and in the partner retention process as mandatory information for decision-making.**

261. UNHCR accepted the recommendation and will include open receivables as one of the considerations to be taken into account in the updated partner selection and retention policy.

9. Human resources management

262. The Division of Human Resources Management aims to place a greater focus on human resources management as one of the key aspects of the transformation of UNHCR from a transactional to a strategic partnership business model. The transformation of the Division had its starting point in the review of the Division conducted by consultancy firms in 2016 and 2017. On the basis of the recommendations of the consultancy firms to strengthen UNHCR workforce planning processes, UNHCR established the Strategic Workforce and Structural Planning Section within the Division in mid-2019. The section comprises two units: the Strategic Workforce Planning Unit, located in Geneva, and the Organizational Design and Job Evaluation Unit, located in Budapest. With the creation of the new section, UNHCR aims to provide functional guidance and support to the senior human resources partners and their teams at each of the regional bureaux to carry out strategic workforce planning. The Division is responsible for providing human resources support to more than 17,000 staff and affiliates throughout UNHCR. Table II.11 shows the increase in the UNHCR workforce from 2017 to 2020.

Table II.11
Increase in UNHCR workforce during the period 2017–2020

<i>Category of workforce</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>	<i>2017</i>
Staff	13 336	12 833	12 063	11 585
Affiliates	4 542	4 580	4 184	3 495
Total	17 878	17 413	16 247	15 080

Source: UNHCR Active Workforce Dashboard.

263. The Board reviewed UNHCR efforts to strengthen strategic and operational workforce planning and identified critical areas that UNHCR needs to strengthen in the future.

Standardization of job description and harmonization of job titles

264. As part of the transformation of the Division of Human Resources Management, UNHCR conducted a standardization of job descriptions and a harmonization of job titles from 2019 to 2020. In line with such an exercise, new standard job description templates were developed, and existing job titles were revised, phased out or updated to improve the management of the UNHCR workforce. Each job title was assigned a job code number to link positions and staff members to MSRP. The review of the job titles was embedded in a consultation process, with the relevant division as the functional owner. As a result, the total number of more than 2,700 different job descriptions within UNHCR was reduced by more than 60 per cent, to about 1,000.

265. The Board reviewed the use and application of the new job description templates and job titles. The Board noted that the newly introduced job titles were not always used by UNHCR operations. Phased-out job titles, such as “mental health specialist”, “mental health associate operator” and “field security adviser”, were used as job titles in the official organization charts of UNHCR operations. Furthermore, UNHCR does not apply the job titles to its affiliates. They have deliberately been excluded from the job title harmonization project.

266. Given that affiliates account for approximately a quarter of the UNHCR workforce, the Board deems it necessary to use the standardized job titles to the greatest extent possible when advertising positions for affiliates. UNHCR should ensure that its operations use and apply the new job titles for staff as well as for affiliates whenever they perform similar task as staff in order to improve the management of the workforce. Implementing coherent job titles throughout the organization is the first step towards managing the workforce and improving transparency.

267. The Board took note of the new administrative instruction on the management of the affiliate workforce, which became effective in December 2020. However, the Board noted that, in the guidance material and in annex II to the administrative instruction, the way to use the harmonized job titles for affiliates was not clearly defined. It is crucial that UNHCR make use of the catalogue of functional titles applicable to all staff and to those affiliates who perform tasks similar to those of staff. While the current enterprise resource planning system offers a comprehensive view of the functional groups of all affiliates, without the application of coherent job titles in a timely manner, UNHCR is not in a position to have a clear overview of the full range of job titles used for its entire workforce.

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.**

269. UNHCR accepted the recommendation and stated that it was working on changing job titles for affiliates, where applicable, over time and as part of a gradual approach, acknowledging, however, that it is not expected that it will apply standard job titles to 100 per cent of this population.

Application of standardized organizational charts

270. The virtual field visits to five operations revealed that each operation used a different organizational chart to visualize its organizational structure. None of the operations had an organizational chart in place that met the requirement of providing full information on the structure, responsibilities and functions within the organization.

271. Organizational charts can help human resources departments to clearly know how a company is staffed and whether it is reasonable or not, as well as to make appropriate adjustments if necessary. Therefore, it is important to use a standardized graphical representation of roles, functions, responsibilities and relationships to visualize workflows and reporting lines. UNHCR should enhance the guidance provided to its operations on how to develop organizational charts. To simplify the process, UNHCR should provide its operations with an organizational chart template generated from the system in order to ensure accessible information on the UNHCR presence in an operation.

272. **The Board recommends that UNHCR provide its operations with an organizational chart template generated from the system in order to ensure accessible information on the UNHCR presence in an operation or region.**

273. UNHCR agreed with the recommendation. The new system has an organizational chart functionality, which UNHCR will use.

Dashboards

274. The Strategic Workforce and Structural Planning Section developed and rolled out several new workforce dashboards and a series of workforce planning reports in close collaboration with a systems and people analytics section. By providing these dashboards, the Strategic Workforce and Structural Planning Section aims to support UNHCR operations in identifying gaps and significant changes in terms of their workforce structure and to improve their annual planning process. All of the dashboards display live data that is refreshed monthly and can be run by country and region. The dashboards are available on the UNHCR intranet site in the operational workforce planning section. Unlike the functional comparison dashboards, all of these dashboards are accessible only to human resources staff with access to the human resources and payroll module of MSRP (HR MSRP). The dashboards provide many workforce planning data, such as on gender, contract type, hardship category and age, as well as on the percentage of vacant positions. The information is derived from UNHCR functional groups and encompasses the following components:

- Executive and management
- International protection and solutions
- Operational delivery
- External relations
- Administration and finance

- Supply
- Human resources
- Information technology
- Not defined

275. The Board used the guidance on the UNHCR intranet site and examples of dashboard reports provided during the audit session to review the content of the dashboards and to understand how the operations were supported by the Strategic Workforce and Structural Planning Section with regard to operational workforce planning decisions. The Board found inconsistency of data in the use of HR MSRP and the dashboards as the data for the dashboards derived from several other sources, such as Global Focus Insight. The Board noted that the dashboards were not fully suitable for covering the operations' needs with regard to workforce planning decisions.

Table II.12
Number of staff and affiliates by functional group

Functional group	Global		Regional		Country	
	Staff	Affiliates	Staff	Affiliates	Staff	Affiliates
Executive and management	748	63	69	6	6	1
	92.2%	7.8%	92.0%	8.0%	85.7%	14.3%
International protection and solutions	3 070	1 649	342	229	49	48
	65.1%	34.9%	59.9%	40.1%	50.5%	49.5%
Operational delivery	3 301	1 475	393	239	59	9
	69.1%	30.9%	62.2%	37.8%	76.6%	23.4%
External relations	788	557	67	21	9	–
	58.6%	41.4%	76.1%	23.9%	100%	0%
Administration and finance	3 287	486	340	105	51	6
	87.1%	12.9%	76.4%	23.6%	89.5%	10.5%
Supply	588	106	37	15	8	1
	84.7%	15.3%	71.2%	28.8%	88.9%	11.1%
Human resources	705	45	36	4	8	–
	94.0%	6.0%	90.0%	10.0%	100%	0%
Information technology	587	68	52	9	6	2
	89.6%	10.4%	85.2%	14.8%	75.0%	25.0%
Not defined	54	8	3			
	87.1%	12.9%	100%			

Source: UNHCR functional comparison dashboard.

276. Table II.12 above shows the ratio between the distribution of personnel among the nine functional groups for an example of a country operation, the regional bureau and UNHCR. However, the table does not indicate whether the regional bureau is understaffed or overstaffed when viewed against UNHCR in its entirety. In addition, it is unclear what purpose the dashboards are meant to serve and what type of specific information they are designed to provide for the operation in order to ascertain how effectively staff are distributed and whether the operations are staffed adequately in comparison to similar country operations.

277. The Board holds that the functionalities of the dashboard do not comply with the needs of the operations. The classification into the nine functional groups hampers the evaluation and benchmarking of the composition of the UNHCR workforce among the various duty stations. This classification is also not suitable for identifying how many staff members work in one area of expertise, for example cash-based interventions, compared with other areas. Moreover, the dashboards are not useful for assessing whether the human resources department in the regional bureau or the country office is adequately staffed in relation to the entire workforce of UNHCR.

278. UNHCR should review the functionalities of its workforce planning dashboards and should define key indicators for data analytics. One such key indicator could be that 1 human resources staff member is needed for every 100 staff to cover administration and recruitment, as is suggested for supreme audit institutions. 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.

279. The Board recommends that UNHCR further improve the use of enhanced data analytics for additional dashboard reports and data analytics that would facilitate human resources planning analysis. Therefore, UNHCR should define key indicators. This would allow for the benchmarking of the workforce among operations and would enhance knowledge regarding whether the various functional groups of an operation are adequately staffed compared with those of other operations.

280. UNHCR agreed and stated that it would fully exploit the capacities of the forthcoming human resources system, among other tools, for enhanced data analytics for human resources planning analysis. The tools of the new human resources system include automated dashboards, data as a service benchmarks and machine learning analytics. To define key indicators, UNHCR will source benchmarks appropriate to international humanitarian organizations and similar ones.

People management framework

281. The current framework for human resources management of the International Civil Service Commission underlines the need for a comprehensive and robust workforce planning system as a key component of human resources management. The framework is intended to form the basis of all organizations' work on human resources policies and procedures and reaffirms succession planning as one of the framework's important components for effective human resources management. In 2019, UNHCR commissioned a consultancy firm to conduct a talent management review of the Division of Human Resources Management. Through its talent management review, UNHCR aimed to establish an integrated talent management approach in order to identify workforce gaps, thereby preventing the misalignment of the workforce with its operational goals and strategical alignments. The consultancy firm delivered a report, entitled "People management framework", and recommended, inter alia, that a workforce analysis be conducted in order to identify current and potential critical roles by function. UNHCR paid more than \$168,000 for the consultant company's report. In the report of the Joint Inspection Unit on succession planning in the United Nations system organizations, the importance of critical roles as key drivers of succession and the managing of planning was already emphasized. The report provided information on how to identify critical job roles that are of particular value to an organization, either in view of their high potential for the future or because they fulfil business or operation-critical roles ([JIU/REP/2016/2](#), para. 121).

282. In terms of identifying important positions and key functions, the Division of Human Resources Management has not yet defined critical roles within UNHCR, but

has considered criteria that could identify such roles. The process has not yet been completed and has taken more time than expected. Geographical diversity, retirement within five years and the level in the hierarchy are considered by UNHCR to be criteria for identifying critical job roles.

283. UNHCR should accelerate its efforts to identify which positions and functions have a significant impact on its ability to achieve its objectives. For the purposes of workforce planning, critical roles assessment is focused on two factors: the impact of the post and its results on the organization, and the likelihood of the incumbent leaving the post. In the view of the Board, some roles are obviously key occupations for the organization and are therefore critical owing to key leadership roles. These functions can make or break the deliverables, require highly skilled and trained staff and are the hardest to replace. Core roles pose a moderate risk to the execution of mission performance and are directed to administrative, financial and programme functions. Support roles pose a low risk to mission performance and could be considered as functions that could be outsourced, such as, for example, information technology positions. Misaligned roles are functions that are no longer aligned with the needs of an organization. The Board encourages UNHCR to segment its workforce into these four role types to help to prevent workforce gaps in the future, rather than identifying criteria through a time-consuming process. Taking into consideration that UNHCR works in various regions and environments, the Board considers it important that UNHCR accelerate its efforts to identify the positions and functions that have a significant impact on the organization's ability to achieve its objectives.

284. The Board recommends that UNHCR accelerate its efforts to identify the positions and functions that have a significant impact on the ability of UNHCR to achieve its objectives.

285. UNHCR agreed with the recommendation and stated that it was currently working on an end-to-end workforce planning approach that contained a specific step regarding role segmentation.

Lack of integrated strategic workforce planning framework

286. The most vulnerable points in strategic planning are the organization's mandate and strategic objectives. The UNHCR mandate is to provide protection and assistance to persons forcibly displaced within or outside their countries of origin. Its mandate incorporates delivering support to long-term and protracted situations and responding to humanitarian emergencies. The UNHCR strategic objectives are outlined in the global strategic priorities, which represent indicators or imperatives that relate to UNHCR efforts to strengthen protection for persons of concern.

287. UNHCR has not yet issued a strategic workforce planning framework that sets out the UNHCR strategic approach to workforce planning and is aligned with UNHCR mandate objectives. The people management framework cannot not be considered to be such a framework. A workforce planning strategy must be aligned with the mandate and strategies of the organization. It requires a clear vision and priorities to fulfil the organization's aims. It is essential for an organization to formalize and standardize a systematic workforce planning process.

288. The Board recommends that UNHCR establish a workforce planning strategy, laid down in a comprehensive workforce planning framework, to improve workforce planning as a matter of priority.

289. UNHCR agreed with the recommendation.

Reliable population data of persons of concern

290. UNHCR operations are committed to a needs-based planning approach, which requires that they select their strategic priorities to strengthen protection for persons of concern in their region. Pursuant to the UNHCR administrative instruction on planning and budgeting (UNHCR/AI/2019/9), operations should ensure that the selected operational strategic priorities reflect the planned activities of an operation. Consultations with persons of concern were held by various stakeholders, including host Governments, United Nations agencies and local and international non-governmental organizations, in order to determine the activities of the operation. The operational priorities were implemented in their country operation plans, which were considered to be the result of a comprehensive needs assessment and which outline the targets and activities of the operations to protect persons of concern. All of the figures in the operation plans were planning figures and were based on assumptions. This was especially true for the estimated population data of persons of concern.

291. The current UNHCR approach to data collection is not suitable for obtaining reliable figures for the decision-making process, in particular with regard to staffing demand. Consultations with persons of concern and various stakeholders, including host Governments, United Nations agencies and local partners, may be important to gain insight into the current situation, but they may not be an adequate data basis on which to justify staffing needs. In the Board's opinion, UNHCR needs more reliable, timely and high-quality population data to be informed by evidence and not by assumptions. Therefore, comprehensive and common data management is needed to seek greater accountability with regard to data quality.

Lack of supply and demand analysis in the field

292. During the desk review of five field operations, the Board sought to understand how the field operations determined current and future staffing demand. The Board noted that the operations often justified their requests for more staff by anticipating an increase in the number of persons of concern. The Board also noted that the operations did not document their request for more staff in the country operation plans. The Board requested the five operations to submit their staffing demand planning for the upcoming year. Only one operation submitted an overview of proposed changes to positions and office structure for the upcoming year. The overview could be considered as staffing demand planning because the Strategic Workforce and Structural Planning Section had undertaken a structural and staffing review in 2020 at the request of the representative. The main purpose of the review was to analyse the current office structure to ensure that the relevant operation had sufficient staff for mission performance. None of the other operations could provide staffing demand planning for the upcoming year. The Board found that the explanations given in the country operations plan or set out in additional documents were not appropriate to document and justify staffing needs.

293. Supply and demand analyses for staffing needs are specific workforce planning exercises that serve to align resources with organizational priorities and enable entities to shift their resources accordingly and address workforce gaps. Such analyses serve to support operational changes that take place in an entity. UNHCR should encourage its operations to conduct such analyses to understand how many people are needed to accomplish the work. Such analyses include the following guidance questions:

- (a) How many people are needed to carry out the UNHCR mandate effectively?
- (b) How can UNHCR optimize its workforce to deliver results?

(c) How can UNHCR ensure a competitive workforce cost structure that ensures the achievement of the mandate?

294. The Board considers it crucial that the operations of UNHCR have a systematic and common approach to analysing its staffing needs. The Board noted that UNHCR and its operations strive to have staff in place who will ensure the effective implementation of activities and possesses the required expertise in line with the required segregation of duties. However, staffing demand should be assessed in line with organizational needs. The Board noted that the operations struggled with the prioritization and reprioritization of activities, which ultimately led to a reduction of budgets. The Board is aware that planning assumptions may change significantly during the year and that changes in staffing levels may be required. Nevertheless, staffing demands requires clearly defined workforce plans and strategies, reliable population data and operational metrics to ensure a competitive workforce cost structure.

295. The Board stresses the need for staffing review toolkits to support operations in reviewing their staffing needs and to ensure alignment with their strategy, targets and activities. The toolkits could provide broad guidance on reviewing staffing structure and assessing requirements and could be tailored to UNHCR operations. The toolkits should contain guidance material, reporting tools and a checklist and should serve as a quick reference aid for the operations. The country operation plans are not suitable for this purpose.

296. The Board recommends that UNHCR develop staffing review toolkits to support operations in reviewing their staffing needs. UNHCR should require its operations to conduct supply and demand analyses in order to understand how many people are needed to accomplish the work required on the basis of a reliable data management system.

297. UNHCR agreed to support staffing planning by creating standard operating procedures to explain to operations how to anticipate future staffing needs. The guide would be aligned with the new UNHCR results-based management approach. UNHCR is also developing within its new human resources system a workforce planning module to forecast the number of personnel required to accomplish the organization's work.

10. Global fleet management

Capture and monitoring of fleet data

298. In order to facilitate the recording, monitoring and analysis of the operational data of global fleet management vehicles, data-capturing information technology tools were implemented. The purpose of the tools is to achieve overall monitoring of the performance of all UNHCR-owned vehicles, including the global fleet management light vehicle fleet, by combining the operational data obtained by the vehicle tracking system with the cost data recorded in FleetWave. The data collection is aimed at providing more analytical controls in order to enhance the effectiveness, efficiency and safety of all UNHCR vehicles, including global fleet-managed light vehicles.

299. In the audit report on the 2018 financial statements, the Board recommended that the field level be obliged to record all operational and financial data in the analysis tools (FleetWave/vehicle tracking system) and that global fleet management staff have access to all databases and have the capacity to carry out analytical services and evaluate the data (A/74/5/Add.6, para. 300).

300. The Board found that, as at March 2021, approximately 94 per cent of UNHCR light vehicles were equipped with the vehicle tracking system for automatic data

collection. In nearly 20 per cent of these vehicles, the vehicle tracking system did not function properly owing to technical difficulties. The utilization of FleetWave software for manually capturing cost data is mandatory for all operations using FleetWave. Drivers are required to register the distance travelled and costs of refuelling (if applicable) in the vehicle logbooks after each trip. Logbook data and data on maintenance and repair costs must be transferred manually into FleetWave on a monthly basis for each UNHCR vehicle, including light vehicles under the global fleet management rental scheme. A reliable database is a fundamental prerequisite for planned vehicle orders. The data should also be the basis for vehicle disposal and for maintenance.

301. Global fleet management has introduced the “Peak-of-Peak” method to determine the appropriate vehicle fleet size of an operation for light vehicles. The method relies on accurate vehicle operational data based on the vehicle tracking system and FleetWave. The rightsized fleet has the number of functioning vehicles that are needed to fulfil the operation’s duties in periods with peak traffic demands.

302. The Board analysed the FleetWave data for a selection of five country operations, with two of the countries maintaining one of the UNHCR country operation’s largest fleets of light vehicles. The Board requested global fleet management to provide reports from FleetWave. The reports contained data on fuel odometer reading, fuel consumption and maintenance and repair incidents, together with the related costs. The reports comprised a total of 15,531 entries (data sets) for the period from 2018 to 2020.

303. The Board’s analysis of the fuel data revealed poor quality of data entry (incomplete data, fluctuating data and data in different formats). Moreover, cost data in local currency was erroneously converted to the reporting currency. FleetWave allows the recording of implausible data without any automated data plausibility checks.

304. During its inspection of the data, the Board identified cases of refuelling quantities of more than 1,000 litres per vehicle. In several cases, erroneous currency conversions resulted in unreasonably high fuel cost per litre (e.g. cost per litre of \$430). In many cases, figures for individual refuelling seemed to have been rounded. During the review period, the expenses recorded in FleetWave increased significantly, whereas the fuel consumption decreased considerably. The Board found high fluctuation in the number of data entries over time.

305. The FleetWave report for service and repair shows data on repair incidents and on service incidents for each vehicle. The Board’s data analysis refers to data entries for the period from 2018 to 2020. As mentioned in annex H to the administrative instruction on detailed planning, budgeting, monitoring and implementation for 2021, service A is a standardized inspection that should be performed after 5,000 kilometres, and service B is an extended inspection that should be conducted after 10,000 kilometres.

306. The Board found that, from 2018 to 2020, in all five sample country operations, 506 entries for repair incidents had an accumulated cost of \$201,818. For this period, data for 2,434 incidents of service A could be identified, which resulted in a recorded overall cost of \$528,664.45. The overall amount for service B was 14 at a total cost of \$5,712.05. The Board’s analysis revealed poor quality of data entries that seemed to be implausible in many cases. The quantity of data does not seem to reflect an adequate amount of required incidents for services A and B.

307. The Board identified numerous entries in which the cost in local foreign currency had not been converted to the reporting currency, resulting in a cost of \$0.00. In some countries, the cost for certain vehicles seemed to be unreasonably high.

Furthermore, in a significant number of data sets, no cost data had been recorded at all. Given that services A and B must be performed at specific intervals, an implausibly large amount of data is lacking for the period reviewed.

308. Recording data accurately is crucial for monitoring and analysing processes in order to detect discrepancies or options for improving processes. If the quality of data is poor, data are incomplete or data quantities are low, any monitoring or analysing is prone to errors or not possible at all. In the case of FleetWave, the recording of data on operating costs is crucial for monitoring cost development. It must be possible to trace fuel data, as well as to monitor the trend and plausibility of fuel consumption and to reconcile data with recognized expenses as recorded in MSRP. Thorough data analysis helps to detect major trends in fuel consumption and cost. The monitoring of recorded odometer data is necessary to identify vehicles that are due to be disposed of. Vehicles with high costs for repair and maintenance can be identified, and global fleet management can intervene accordingly.

309. Odometer entries in FleetWave are particularly essential to identify vehicles that will reach the maximum mileage for disposal. Properly recorded data on fuel consumption and on services and repair help to identify vehicles with extraordinarily high fuel consumption or an exceptionally high cost of maintenance and repair. Because the utilization of those vehicles is inefficient, a decision is needed on their possible disposal or deployment for other office purposes. The overall achievement of the above-mentioned aspects serves to increase planned vehicle orders to a maximum and to decrease ad hoc orders accordingly, to a minimum. This may optimize the quantity of stored vehicles in the hubs and will subsequently result in a more efficient and streamlined use of funding.

310. Given that the current process of capturing fleet operating cost data consists mostly of manually recorded data, the quality is dependent on the training, thoroughness and diligence of the employees who are responsible for these tasks. The Board holds that, to avoid the erroneous and inconsistent entry of data in vehicle logbooks, the completeness and accuracy of these records must be checked on a regular basis by the operations and monitored by global fleet management. Even reports on the FleetWave data quantity provided by global fleet management resulted in the same deviations. FleetWave should have intelligent autocorrect functions or alert messages that help to avoid recording incorrect data (implausible amounts or formatting errors) and ensure compliance with punctuation conventions. Moreover, the implementation of basic user roles within FleetWave (for example, drivers might be granted access only to specific data entry applications) might help to increase acceptance.

311. The Board recommends that UNHCR take measures to ensure that operations perform regular verifications of FleetWave data with regard to the quantity and quality of data entries. The reasons for deviations must be identified, and erroneous data must be corrected. This should also apply to data recording in the vehicle logbooks until the process is superseded by an electronic solution.

312. The Board recommends that UNHCR, together with the FleetWave provider, optimize the FleetWave tool to avoid faulty data recording and to enhance usability.

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.

314. UNHCR accepted the recommendations. Initial efforts have been made to address the issue of inadequate fleet data recording. New administrative instructions

will be issued in the near future. The global fleet strategy 2021–2025 includes the aim of improving the recording of fleet operational data by, inter alia, introducing an electronic vehicle logbook. Moreover, a pilot project on data entry directly by partners is under way, including a vetting of the data, to ensure better data quality.

11. Business transformation programme

315. The UNHCR business transformation programme can be defined as an initiative to solve key business problems and to explore and introduce new ways of working. UNHCR intends to use modern tools and cloud technology to support a variety of processes. The business transformation programme is part of the larger UNHCR transformation strategy.

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

(a) **Results-based management.** UNHCR initiated the results-based management project in 2017, and it was included in the business transformation programme in 2020. The project's objective is to review and revise a variety of aspects affecting the way that UNHCR manages its operations. The project not only concerns operations management processes but also has an impact on financial processes, data management, organizational structure, staffing profiles and capacity needs. At the beginning of 2021, UNHCR launched COMPASS, a cloud-based solution for planning, budgeting, monitoring and reporting using a results-based management approach. The 2022 budget will be prepared and finalized in September 2021 using COMPASS;

(b) **People management and human resources management.** The human resources landscape of UNHCR is changing fundamentally. The change is driven by external factors, such as the workforce of the future and digitization, and internal factors, such as the goal of the lean, effective and efficient processing of transactions. These challenges and opportunities require that UNHCR anticipate the needs of the business and the workforce and find agile and digital ways to deliver services, improve the organization's ability to address change and reskill the workforce. In May 2020, UNHCR initiated a digital human resources project, Digital HR, as part of the business transformation programme. UNHCR is planning to migrate data from the current enterprise resource planning system to a new cloud-based application and intends to use the cloud-based solution for human resources management and payroll from March 2022;

(c) **Business processes and systems.** A budget, contributions, finance and supply chain management project known as the cloud enterprise resource planning project is another element of the business transformation programme. UNHCR is planning to deploy the updated business processes, as well as their supporting software applications, under this project from January 2023. In addition, in November 2020, UNHCR formally initiated a project to cover implementing partner-related project reporting and monitoring. The related solution is called the Project Reporting, Oversight and Monitoring Solution (PROMS), and the project was endorsed in March.

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

(a) Modernize systems and transform ways of working by simplifying and standardizing business processes;

- (b) Drive successful business adoption through effective change management;
- (c) Deliver user-centric, multichannel self-service capabilities;
- (d) Improve decision-making and reporting through access to reliable information.

318. On the basis of the extensive analysis of an external consultant, UNHCR decided to use a best-of-breed solution instead of a single-vendor enterprise resource planning system to modernize software support for its business processes. UNHCR stated that the monolithic approach of single-vendor enterprise resource planning systems is not the current industry trend and that, on the basis of consultations with external consultants and UNHCR requirements, it is not recommended. The Board noted that other United Nations entities, such as the United Nations Development Programme, plan to implement the finance and human resources modules as a single-vendor enterprise resource planning system on the basis of a study by external consultants. Single-vendor enterprise resource planning systems typically have comprehensive modules for finance, manufacturing, order processing and the supply chain. These systems are often easier to maintain because they are procured from one vendor and have a consistent architecture and user interface across all modules. The best-of-breed approach, on the other hand, is a platform that consists of many individual solutions. The goal is to use the best available technology for each separate process activity. The separate process activities need to be compatible and integrated through interfaces.

319. Under the software-as-a-service model, whether monolithic or best-of-breed, software and part of the information and communications technology (ICT) infrastructure are operated by and at an external ICT service provider. The customer uses the software as a service. The customer needs an Internet-enabled computer and an Internet connection to the external ICT service provider. The user of the software pays a subscription fee for its use and operation. Through this model, the user of the software wants to save part of the acquisition and operating costs, as the software provider performs all ICT administration and other services, such as maintenance work and software updates. The user therefore outsources a large part of the ICT infrastructure, including administrative tasks.

320. In May 2021, it was confirmed that UNHCR had procured, or was finalizing the procurement of, new cloud-based software subscriptions for four working areas:

- (a) COMPASS (contract as from 24 March 2020);
- (b) Digital HR (contract as from 26 October 2020);
- (c) Cloud enterprise resource planning (contract as from 24 February 2021);
- (d) PROMS (no signed contract as of the writing of the present report).

321. In May 2021, UNHCR endorsed a project to expand the use and coverage of the current donor relationship management solution. Customer relationship management is a strategy for systematically shaping an organization's relationships and interactions with existing and potential donors.

322. By combining the best-of-breed and software as a service approaches, UNHCR is planning to use several software providers. Cloud enterprise resource planning, Digital HR, COMPASS, PROMS and customer relationship management will be required to be integrated to support the end-to-end business processes and cross-system data analysis and reporting. The Board noted that the software providers offered their applications in their own cloud. This leads to several different clouds needing to be interconnected in a cloud-based integration layer. In order to integrate the various cloud-based software-as-a-service applications, UNHCR initiated and

endorsed a project to provide a consistent integration methodology, a harmonized reporting platform and a single-access portal across the applications.

Budget of the business transformation programme

323. The Board notes that the business transformation programme is a very complex organizational one, which has implications for the existing and future UNHCR ICT landscape. UNHCR intends to migrate the majority of its ICT applications within the scope of the business transformation programme to the cloud by 2023.

324. The process is governed by the director-level Programme Executive Committee reporting to the Transformation and Governance Board, which was formerly the Information and Communications Technology Governance Board and renamed on the basis of the transformation management framework adopted in December 2020. The members of the Transformation and Governance Board are the Deputy High Commissioner, the Assistant High Commissioner for Operations, two directors of regional bureaux and the Director for Change. The Transformation and Governance Board is the central corporate body tasked with advising and supporting the High Commissioner in strategic transformation management. Previously, governance-related discussions were held and decisions were taken by the Information and Communications Technology Governance Board.

325. In UNHCR, when multiple projects are designed or implemented with mutual dependencies, such as the projects included in the business transformation programme, programme executive committees are created to ensure technical synchronization between projects within the respective approved project parameters. From January 2020, the Programme Executive Committee has reviewed and approved projects related to the business transformation programme.

326. The Board requested an overview of the budget of the business transformation programme in October 2020. UNHCR reported an overall budget of \$81.5 million for the programme in November 2020. In February 2021, the Board requested a detailed breakdown of the expenditures and the planned budget separated into the various projects and phases of implementation, and UNHCR provided more detailed budget information, which added up to approximately \$81.6 million. In May 2021, UNHCR provided an updated detailed breakdown, which aggregated to a budget of \$95.4 million.

327. UNHCR stated that the increase of \$13.9 million included the full budget for the integration, reporting and end user experience project, as well as PROMS. The additional cost for PROMS amounted to \$3.0 million and covered the project timeline until 2023. UNHCR stated that the original \$3.0 million PROMS budget was for 2021 only and did not account for integration with COMPASS and the cloud enterprise resource planning solutions; the updated project covers the full project timeline. In the first quarter of 2021, UNHCR performed a detailed bottom-up cost estimate for PROMS on the basis of the design work performed in 2020, which included the required integration and increased the budget to \$6.0 million. A breakdown of the projects of the business transformation programme budget as at May 2021 is shown in table II.13.

Table II.13
Business transformation programme budget

(Thousands of United States dollars)

<i>Projects</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>Total</i>
RBM renewal project	1 512	8 436	6 587	959	–	17 494
MSRP realignment project for RBM	–	163	1 164	270	–	1 597
Programme governance	–	675	1 970	2 106	671	5 422
Integration, reporting and end user experience	–	–	3 269	3 994	1 413	8 675
Programme change management	–	–	450	450	100	1 000
Digital HR project	–	2 891	10 474	2 097	–	15 462
Cloud ERP project	–	63	13 475	17 957	8 205	39 700
PROMS	–	–	2 823	2 977	206	6 006
Total	1 512	12 227	40 212	30 809	10 595	95 355

Source: UNHCR.

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

328. UNHCR explained that the budget has increased since January 2021 from \$81.6 million to \$95.4 million owing to the approval of additional projects as part of the business transformation programme. This represents an increase in the budget under the transformation programme portfolio of about 14 per cent. In addition to smaller budget adjustments made to some of the transformation programme projects, the budget for integration, reporting and end user experience have increased by about \$3.7 million, and the budget for the cloud enterprise resource planning project has increased by about \$3.9 million. Out of \$13.9 million, \$6.0 million relates to PROMS.

329. In November 2020, the Board was advised that \$32.7 million of the \$81.5 million was funded. In January 2021, the Board was informed that a budget of \$35.8 million out of \$81.6 million was funded. This meant that additional funding of \$45.8 million was still required over the period from 2021 to 2023. In note 9.2 to the financial statements (para. 181), commitments of approximately \$47 million were disclosed. UNHCR entered into cloud-related future contractual commitments of at least \$47.0 million while a budget portion of \$45.8 million was still not funded. UNHCR stated that the UNHCR budgeting process is annual, while the business transformation programme budget is expected to run through 2023. The 2022 and 2023 budgets would be expected to be approved in their respective budget approval cycles. In accordance with financial regulation 5.7 and financial rule 10.4, the High Commissioner may enter into future commitments that are necessary and in the interest of UNHCR and related to activities approved by the Executive Committee that are expected to continue beyond the end of the current budget period.

330. On the basis of the increase in the budget to \$95.4 million against a funded budget of \$35.8 million, the Board assumes that UNHCR needs to allocate funding of \$59.6 million for the business transformation programme in the coming budget cycles.

331. The Board holds that, if additional allocations are needed, UNHCR risks not being able to implement the business transformation programme to the planned

extent, or only with delay. Because UNHCR has already concluded long-term contracts, it will have to pay contractual partners irrespective of whether additional/explicit funding for the business transformation programme will be available.

332. The Board noted the significant budget increase and holds that the overview of budget commitments and future contractual obligations should be focused on during the upcoming planning and implementation phases. The Board also noted that each cloud application is complex on its own and that such complexity requires informed decision-making when the various solutions and their processes are integrated. With the aim of ensuring adequate integration, the UNHCR Programme Executive Committee and the Transformation and Governance Board endorsed a project related to integration.

333. The Board welcomes the UNHCR establishment of the Programme Executive Committee to oversee the business transformation programme as a whole. In the Board's view, in addition to continuous organizational and technical support for projects, it is important to secure financial resources to ensure the success of the programme. In the view of the Board, given the complexity of the programme and the governance mechanism in place, well-informed and coordinated workflows between all divisions and units involved are crucial for the coming project phases.

334. The Board recommends that UNHCR focus on the coordinated oversight and monitoring of the programme budget and on controlling costs during the upcoming planning and implementation phases of the business transformation programme.

335. UNHCR accepted the recommendation, but was of the opinion that strong oversight and monitoring were already in place. UNHCR stated that it would continue to monitor development through the Programme Executive Committee, paying special attention to the implementation of the budget.

Risk assessment and risk management of the programme

336. The Board recognizes that the business transformation programme is a very complex and ambitious organizational project that has a major impact not only on existing and future ICT but also on the organization as a whole. The financial investment is significant.

337. Against this background, very well-considered and careful decision-making is required. UNHCR decided to use a best-of-breed solution instead of a single-vendor enterprise resource planning system to modernize the software support for its business processes. UNHCR made its decision to choose best-of-breed solutions based on the analysis conducted by external consultants.

338. Generally, the management of key risks and opportunities that may significantly affect the achievement of the objectives of UNHCR falls within the scope of UNHCR enterprise risk management. As a technical tool to monitor and document risks in UNHCR, the organization maintains operational risk registers for each field operation and headquarters entities and one strategic risk register for the organization as a whole.

339. UNHCR provided the January 2021 strategic risk register and the March 2021 operational risk register. The Board reviewed the extent to which risks related to the business transformation programme were already reflected in the various risk registers.

340. The worldwide operational risk register of UNHCR is nearly 700 pages long and includes some 1,800 risks. The Board found three risks that dealt with the

business transformation programme: (a) the Division of Human Resources Management identified a risk related to the implementation of the new digital human resources solution, Digital HR; (b) the risk register of the Division of Strategic Planning and Results contained the risk of delayed implementation of the results-based management framework; and (c) the risk register of the Division of Emergency, Security and Supply contained a positive risk from the supply chain-related modules of the new cloud-based enterprise resource planning system.

341. The risk register of the Division of Information Systems and Telecommunications did not include an explicit risk related to the business transformation programme.

342. The strategic risk register is supposed to capture critical risks at the organizational level that can, to a large extent, be directly managed or influenced by UNHCR. Its purpose is to enable UNHCR to manage strategic risks proactively, effectively and transparently and to support risk-informed decision-making.

343. In the January 2021 strategic risk register, UNHCR addressed a risk theme related to the change process. The results-based management renewal project and the move to a cloud-based enterprise resource planning system are mentioned as risk causes under the risk theme, but they are not given specific priority. There is no separate consideration of risks expressly reflecting the business transformation programme.

344. The Board holds that risks related to the business transformation programme should be analysed and assessed more thoroughly. The risks should be more fully included in the operational risk registers because there is a high likelihood that the separate cloud solutions and the integration layer will have an impact on more divisions than those in which risks have already been indicated.

345. The business transformation programme affects almost all areas of day-to-day UNHCR work. The various work streams show considerable complexity and need to be well coordinated. The implementation period of the programme as a whole will be long, and the programme represents a significant financial investment. The Board is of the opinion that, currently, the risks posed by the programme are not given enough weight in the UNHCR risk registers.

346. The Board holds that the business transformation programme requires proactive risk management and risk-informed decision-making. In the Board's view, the inclusion of the business transformation programme as only one possible risk cause among others in the risk-related section on the change process does not take the programme's complexity and risks fully into account.

347. The Joint Inspection Unit of the United Nations system conducted a review of the management of cloud computing services in the United Nations system in 2018 and set out its findings and recommendations in a report ([JIU/REP/2019/5](#)). The report provides a description of the risks and challenges of using services in the cloud. The Unit believes that the use of cloud applications creates new risks and that risk assessments should be a regular activity and an important mandatory step in any consideration of cloud computing solutions. The Unit identified potential security risks posed by the multi-tenancy of cloud computing, remote access to cloud computing services and the number of entities involved. Furthermore, the Unit noted that dependence on ICT providers could pose a significant risk.

348. The Board concurs with the comments of the Joint Inspection Unit on the risks associated with cloud computing services in the United Nations system. The Board believes that the Unit's insights on cloud computing could be helpful to UNHCR and add value to the business transformation programme.

349. With regard to the separate cloud software solutions that UNHCR has procured, the Board holds that it is not enough to look at the projects individually and only with regard to themselves. Therefore, the Board believes that an overarching analysis of all planned applications in the cloud with their interactions and interfaces could enable UNHCR to identify potential risks at an early stage and take action to avert financial and/or technical risks. In view of the scale and importance of the programme, the Board holds that the associated risks should also be captured comprehensively at the highest organizational risk level, that is, in the strategic risk register.

350. The Board recommends that UNHCR carry out a comprehensive risk assessment for the entire business transformation programme. The assessment should consider both financial and technical risks.

351. The Board recommends that UNHCR include risks for the business transformation programme expressly in the strategic risk register.

352. UNHCR accepted the recommendations and is in the process of further strengthening the risk management process for the business transformation programme, supported by the risk analysis carried out for individual projects. In addition, the ongoing update to the strategic risk register will more explicitly cover risks and treatments related to the business transformation programme.

Data Protection Officer

353. In the financial report and audited financial statements for the year ended 31 December 2019 and in the report of the Board of Auditors, the Board noted that UNHCR had no arrangements for the involvement of the Data Protection Officer in ICT projects. Therefore, the Board recommended that cooperation between the Division of Information Systems and Telecommunications and the Data Protection Officer be embedded in relevant current and new ICT project guidelines and administrative instructions in areas involving the processing of personal data. UNHCR accepted the recommendation (A/75/5/Add.6, paras. 367–368).

354. UNHCR indicated that it had prepared a working draft of the global privacy policy following internal consultations during 2019 and 2020, which builds upon the existing 2015 data protection policy for persons of concern and expands data protection provisions to encompass personal data processing relating to staff, donors, partners, etc. UNHCR foresees that the global privacy policy will become an umbrella data protection policy to integrate data protection principles across the entire spectrum of personal data processing by UNHCR. UNHCR had further developed the draft in 2020 and had established its Global Data Service in the same year. The service is a key stakeholder in the privacy policy, houses the Data Protection Officer and is working and collaborating to review and update the draft, together with the Legal Affairs Service and other relevant divisions. UNHCR stated that it had undertaken detailed data mapping that informed the draft policy and had provided the tools for tailored implementation by identifying stakeholders, interests and gaps. According to UNHCR, the drafting process in 2020 had been a response to external and internal developments, including the involvement of the Global Data Service in the process, the adoption of the United Nations data strategy in April 2020, the ongoing dialogue between the United Nations and external stakeholders and the regionalization process implemented within UNHCR. UNHCR had postponed finalization of the policy to the end of 2021.

355. The Board recognizes that UNHCR has taken data protection forward in the organization and has intended to put in place appropriate regulations. However, the Board notes that UNHCR did not involve its Data Protection Officer in the business transformation programme. The Board welcomes the fact that UNHCR takes

appropriate account of data privacy and information security requirements both in the Architecture Review Board's technology assessment and in contract negotiations with cloud providers. In addition, the Board appreciates that UNHCR has contracts reviewed for United Nations privileges and immunities and for privacy clauses by the Chief Information Security Officer and the Legal Affairs Service. However, in the Board's view, these measures are not sufficient to ensure the protection of personal data within UNHCR for all employees and other categories of data subjects whose personal data is processed by business transformation programme tools. A Data Protection Officer considers not only contractual arrangements with third parties but also the arrangements within an organization when making data protection assessments.

356. The Board considers protection of personal data to be increasingly important worldwide. This is demonstrated, for example, in the General Data Protection Regulation of the European Union. In the above-mentioned report, the Joint Inspection Unit points to risks regarding data and information protection. According to the Unit, the protection of data and information is of utmost importance to governments, organizations and companies worldwide.

357. The Board recognizes that UNHCR has not yet finalized the development of a global data privacy policy, that is, an umbrella data protection policy that is expanded beyond the protection of personal data of persons of concern. However, the Board believes that the UNHCR Data Protection Officer should already be involved in the business transformation programme in an advisory capacity. Such early involvement of the Officer could highlight potential issues in the handling of personal data of employees, affiliated organizations, implementation partners and other data subjects in the cloud and in the organization. The Board holds that this involvement would be commensurate with the special importance and complexity of the business transformation programme for the organization.

358. The Board recommends that UNHCR involve data protection experts, including its Data Protection Officer, in the business transformation programme at an early stage to ensure that UNHCR adequately addresses the handling of personal data in the organization.

359. UNHCR accepted the recommendation.

C. Disclosures by management

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

360. UNHCR reported that it had formally written off assets of \$5.4 million (2019: \$2.5 million). The write-offs refer primarily to donation reductions, including \$1.0 million attributable to events resulting from the COVID-19 pandemic.

2. Ex gratia payments

361. UNHCR reported that it had made ex gratia payments in 19 cases for a total amount of \$44,835, of which 13 related to support measures taken for staff affected by the Beirut explosion. No ex gratia payments were made in 2019. That information corresponds with the review of the Board of the financial and management records of UNHCR.

3. Cases of fraud and presumptive fraud

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

identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud remains with management.

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

364. UNHCR reported 31 cases of substantiated fraud during 2020 resulting in financial losses of \$0.1 million (2019: 61 cases of \$0.5 million). Of those fraud cases, 24 were committed by staff members and 7 by concerned members of the affiliate workforce. The cases involved entitlement/benefit fraud, recruitment/academic fraud, registration/refugee status determination/resettlement fraud, embezzlement, theft, procurement fraud, alteration/destruction of official documents and other fraud.

D. Acknowledgement

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

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

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

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

22 July 2021

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2019

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	2019	A/75/5/Add.6 , chap. II, para. 20	The Board recommends that the Office of the United Nations High Commissioner for Refugees (UNHCR) obtain and maintain accurate data on the service and health-care plan participation history of its staff members, using enhanced data fields.	An initiative has been launched through the medium of the United Nations System Chief Executives Board for Coordination and coordinated by UNHCR/the Division of Human Resources Management to establish a central repository of historical health-care plan participation data for inactive staff members of each participating entity. The database will be contributed to by participating entities' submissions in a standardized format. The submitted data may be used to complement the records of the entity in which such persons are currently registered as active staff members. Several United Nations entities have already contributed to the database, and their data is reflected in the 2020 liability calculations for UNHCR. It is expected that more agencies will contribute in 2021. UNHCR considers that it has taken action necessary to put in place an adequate mechanism for collecting relevant data.	The Board took note of the initiative through the Chief Executives Board for Coordination and communication with participating entities. The Board considers that the initiative and the expected improvement of the database sufficiently address the recommendation. The Board considers the recommendation to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
2	2019	A/75/5/Add.6 , chap. II, para 27	The Board recommends that UNHCR transparently disclose the reasons for deviations from the harmonized assumptions of the Task Force on Accounting Standards to enhance comparability concerning the valuation of after-service health insurance liabilities.	UNCR has disclosed how it has used the United Nations harmonized assumptions for discount and inflation rates. Reference is made to note 3.8 to the financial statements.	The Board took note of the amended notes disclosure. In the recommendation, the Board requested a disclosure of reasons for deviations. Noting that the reasons are not disclosed in the amended note, the Board closes the recommendation.				X
3	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.	The enterprise resource planning system has been selected and is planned to go live in 2023. Design will occur throughout 2021 and into 2022.	Because the configuration and implementation of the new enterprise resource planning system is still continuing, the recommendation remains under implementation.		X		
4	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 enterprise resource planning has been selected and is planned to go live in 2023. Design will occur throughout 2021 and into 2022.	Because the configuration and implementation of the new enterprise resource planning system is still continuing, the recommendation remains under implementation.		X		

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5	2019	A/75/5/Add.6 , chap. II, para. 44	The Board recommends that UNHCR incorporate the review of property, plant and equipment for any evidence of impairment and reduction in value as a compulsory element in the year-end closure procedures.	As part of the 2020 year-end preparations, UNHCR performed a formal search for impairment indicators for property, plant and equipment using a survey and certification approach for each region. This approach will be followed in future years and formally incorporated into the published annual closing instructions. Based on the above, UNHCR is requesting closure of this recommendation.	The Board welcomes the survey that was conducted through the regional bureaux. However, the Board agrees with UNHCR that the survey should be further improved, for example by including the headquarters divisions (mainly the one in charge of the vehicle hubs) and by fine-tuning the questionnaire. The recommendation remains under implementation.		X		
6	2019	A/75/5/Add.6 , chap. II, para. 49	The Board recommends that UNHCR clearly distinguish between assets deployed for the first time and redeployed assets, and ensure that assets that are not in use for a substantial period of time are not subject to depreciation.	UNHCR considers that this requirement is not fully consistent with paragraph 71 of International Public Sector Accounting Standards (IPSAS) 17 and that therefore this recommendation was not accepted. UNHCR holds that the in-transit status of redeployed assets does not, and should not, stop IPSAS depreciation.	The recommendation related to assets that are in transit for a longer period of time. The steps taken by UNHCR to analyse such items address the recommendation. Therefore, the Board closes the recommendation.				X
7	2019	A/75/5/Add.6 , chap. II, para. 56	The Board recommends that UNHCR implement additional measures to ensure the functioning of key controls in the inventory process. UNHCR should opt for end-to-end process documentation and audit-proof functionalities in the	UNHCR will take into account this recommendation when designing the requirements of the new enterprise resource planning system. For example, the implementation of a shipment tracking tool in the new system is a key element foreseen. Pending the selection of the new system, UNHCR is addressing this recommendation through increased monitoring of the inventory pipeline and the granting of limited enterprise	The review of the inventory process is a yearly procedure of Board's audit. The Board appreciates the actions taken by UNHCR to improve the overall process, as well as the observance when designing a new enterprise resource planning system. Nevertheless, the Board identifies several shortcomings in the current audit cycle that show that there is still room for				X

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			selection of a new enterprise resource planning system.	resource planning system access to partners managing UNHCR warehouses. The actions taken to address this recommendation are in progress.	improvement. Therefore, the Board reiterates the recommendation in the new report and closes the recommendation.				
8	2019	A/75/5/Add.6 , chap. II, para. 60	The Board recommends that UNHCR review its accounting process regarding inventory issuance to distributing partners and ensure that there is an overview of the items stored in the care of partners and still available for distribution.	Through a memorandum, UNHCR disseminated in 2019 the requirements for accounting for inventory held by partners in distribution points and has since been in contact with the field operations to ensure that inventories stored with partners at year-end in excess of \$50,000 are identified and reported. The requirements included in this memo will be captured in, and further strengthened through, operational guidance on core relief items that will provide further information. Based on the above, UNHCR is requesting closure of this recommendation.	The Board welcomes steps taken to meet the recommendation. The Board will follow up in the 2021 audit cycle on whether the operational guidance on core relief items, which is still in draft version, meets the Board's concerns. The Board will also follow up on the requirements for reporting inventories stored with partners.		X		
9	2019	A/75/5/Add.6 , chap. II, para. 64	The Board recommends that UNHCR improve the controls over fuel stock, for example, by treating fuel kept at operations in considerable quantities as inventory.	Fuel management is now included in the draft global fleet management strategy 2021–2025 as a pilot project. As a first step, a desk review of fuel management processes in the selected pilot projects will be conducted in 2021, followed by an assessment by field operations of the efficiency and transparency of the established fuel management process. Based on the findings of the review and recommendations	The Board appreciates that UNHCR has begun to review the fuel management process as part of the global fleet management strategy 2021–2025. The Board will follow up on the progress of the review. The Board considers the recommendation to be under implementation.		X		

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				made, UNHCR will develop a global fuel management strategy and take a final decision as to whether to record fuel as inventory. This recommendation is in progress.					
10	2019	A/75/5/Add.6 , chap. II, para. 69	The Board recommends that UNHCR implement additional year-end accrual review procedures, such as expenditure versus accrual ratio analysis, analysis of the average period of outstanding purchase orders, goods and services receipt and invoice receipt, to ensure accurate accrual accounting at year-end. Country operations with implausible accrual figures should systematically be reviewed.	UNHCR reviewed its accrual procedures to identify improvements to implementation and application in the financial statements for 2020. Supporting documentation for the 2020 accrual has been provided to the audit team.	The Board took note of the additional year-end accrual review procedures and commented that they were sufficient to fulfil the requirements of the recommendation. In future analyses, further steps, such as consideration of budget variances and budget-to-actual ratios and further involvement of the regional bureaux, could be included in the procedures to render the analyses more valuable and meaningful. The Board considers the recommendation to be implemented.		X		
11	2019	A/75/5/Add.6 , chap. II, para. 73	The Board recommends that UNHCR review and amend the annual leave accrual computation and exclude staff members who are transferred, seconded or loaned to other organizations.	The calculation of the 2020 year-end annual leave accrual liability balance has been performed to reflect the requirements of this recommendation. Based on the above, UNHCR is requesting closure of this recommendation.	The Board took note of the review and the amended computation of the annual leave accrual to exclude staff members who are transferred, seconded or loaned to other organizations. The Board considers the recommendation to be implemented.		X		

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12	2019	A/75/5/Add.6 , chap. II, para. 80	The Board recommends that UNHCR implement a control mechanism in the area of implementing partnership expenses to ensure that the country operations cannot deviate from a granted extension of liquidation and/or implementation period without a mandatory information flow to headquarters.	In the administrative instruction on the closure of UNHCR accounts for the year ended 31 December 2020 (UNHCR/AI/2020/13, para. 4.6.10), the Implementation Management and Assurance Service of the Division of Strategic Planning and Results introduced changes to address this recommendation. These enhancements include the delegation to regional bureaux the approval of requests for extensions and the requirement that the bureaux further confirm with the Implementation Management and Assurance Service that the related agreements are actually signed and that the extensions are effective in the subsequent year. Deferred expenses related to project extensions are being posted in the Managing Systems, Resources and People (MSRP) system based on the confirmed effective extensions. Based on the above, UNHCR is requesting closure of this recommendation.	The administrative instruction for the 2020 year-end closure addresses the recommendation. The Board commented that it recommends the issuance of comprehensive guidance material on the implementing partner processes, which should also include the procedures for the extension of liquidation and implementation periods. For the 2020 audit, the point is addressed. The Board considers the recommendation to be implemented.	X			
13	2019	A/75/5/Add.6 , chap. II, para. 88	The Board recommends that UNHCR explore the option of an electronic, system-integrated delegation of authority process. The process should encompass all	The enterprise resource planning system has been selected and is planned to go live in 2023. Access control design will occur in 2022.	As the configuration and implementation of the new enterprise resource planning system is still continuing, the recommendation remains under implementation.		X		

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			enterprise resource planning modules and ensure an overarching conflict check across the entire enterprise resource planning architecture.						
14	2019	A/75/5/Add.6 , chap. II, para. 89	The Board recommends that UNHCR link the procure-to-pay delegation of authority to functions rather than to individual persons, subject to the progress of the ongoing job description harmonization project.	The enterprise resource planning system has been selected and is planned to go live in 2023. Access control design will occur in 2022.	As the configuration and implementation of the new enterprise resource planning system is still continuing, the recommendation remains under implementation.		X		
15	2019	A/75/5/Add.6 , chap. II, para. 118	The Board recommends that UNHCR use an implementation roadmap that includes milestones to transparently steer and guide all upcoming steps of the decentralization and regionalization process and take that as a basis for the measurement of achievements.	The draft road map has been endorsed in principle and is currently in use, subject to a further revision in the third quarter of 2021.	The road map is still in a draft version and does not include the upcoming steps in the decentralization and regionalization process, such as headquarters realignment. Therefore, the Board considers the recommendation to be under implementation.		X		

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16	2019	A/75/5/Add.6 , chap. II, para. 126	The Board recommends that UNHCR make the distinction between the first and the second line of defence clearer in the framework of roles, accountabilities and authorities.	A draft concept paper to apply the new Institute of Internal Auditors three-lines-of-defence model and a draft revision of roles, accountabilities and authorities was developed in the fourth quarter of 2020. The Assistant High Commissioner for Operations established a consultation process between regional bureaux and headquarters divisions in the fourth quarter of 2020 (completed), a by-product of which will be an updated roles, accountabilities and authorities framework. The finalized revision of the roles, accountabilities and authorities and the application of the three-lines-of-defence are planned for the second quarter of 2021.	The revision of the three-lines-of-defence model is ongoing and therefore the recommendation remains under implementation.		X			
17	2019	A/75/5/Add.6 , chap. II, para. 135	The Board recommends that UNHCR distinguish clearly the roles and responsibilities between the regional bureaux and the divisions as the second line of defence.	The actions described in the UNHCR response to the recommendation contained in paragraph 126 of chapter II of A/75/5/Add.6 address this recommendation.	The revision of the three-lines-of-defence model is ongoing and therefore the recommendation remains under implementation.		X			
18	2019	A/75/5/Add.6 , chap. II, para. 141	The Board recommends that UNHCR define the roles and responsibilities of new functions at the regional bureaux in a clear and transparent manner.	A number of job descriptions related to the new functions at the regional bureaux have been issued or updated, reflecting specific duties. The actions described in the UNHCR response to the recommendation contained in paragraph 126 of chapter II of A/75/5/Add.6 address this recommendation.	The revision of the three-lines-of-defence model is ongoing and therefore the recommendation remains under implementation.		X			

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19	2019	A/75/5/Add.6 , chap. II, para. 150	The Board recommends that UNHCR review the capacity of the country offices as the first line of defence and explore cost-efficient options to bridge possible gaps.	The actions taken in response to the recommendation contained in paragraph 158 of chapter II of A/75/5/Add.6 address this recommendation.	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X			
20	2019	A/75/5/Add.6 , chap. II, para. 158	The Board recommends that UNHCR review the context-specific and contextualized positions and plan for an efficient use of those positions, also in view of the capacity gaps in the first line of defence.	The Division of Strategic Planning and Results recently issued a checklist that will support the regional bureaux in reviewing country office and multi-country office interim or multi-year strategies. The review parameters included in this checklist are focused on the overall integrity and coherence of the strategies across various components (situation analysis, strategic direction, results framework, resource management plan and monitoring and evaluation plan). The checklist will contribute to enabling a better-informed review of capacity gaps.	The Board acknowledges that UNHCR is working on this recommendation. In 2021, the Board will review the use in practice of the checklist for the 2022 planning cycle. Therefore, the Board considers the recommendation to be under implementation.		X			
21	2019	A/75/5/Add.6 , chap. II, para. 168	The Board recommends that UNHCR measure, track and evaluate the intended results and the costs of decentralization and regionalization.	The cost tracking model is in place and is used to monitor decentralization and regionalization costs. key performance indicators have been validated and automated, enabling the required monitoring. The UNHCR Internal Audit Service, provided by the Office of Internal Oversight Services, is conducting a management advisory.	The Board acknowledges that UNHCR is working on this recommendation and has taken first steps with an internal audit. The Board considers the recommendation to be under implementation.		X			

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22	2019	A/75/5/Add.6 , chap. II, para. 182	The Board recommends that UNHCR analyse expenses related to hosting countries and communities and identify ways to better demonstrate how its assistance benefits host communities in line with the principle set out in the Global Compact on Refugees.	Through the new results framework design, operations can specify the host community as the population targeted by results that they define. However, as host communities and displaced populations often benefit together from the same intervention (such as primary health-care services), the new results-based management tool does not, by design, distinguish the expenditure incurred exclusively for host communities. Nevertheless, the ongoing roll-out of training on COMPASS includes the new feature through which the population coverage for each of the results levels and the indicator disaggregation include the host community, as can be seen in the guidance on population information. These new features will support analysis of, and contribute to illustrating how a host community benefits from, the assistance received. Based on the above, UNHCR is requesting closure of this recommendation.	The Board welcomes the inclusion of the host community as a target population and will monitor the reporting of expenses for this group in the coming years. Expenses were not reported under the new results framework design in 2020, and no analysis of host community expenses was conducted. However, in the light of the upcoming new impact areas, the Board considers this recommendation to be overtaken and will follow up during the implementation in COMPASS.				X
23	2019	A/75/5/Add.6 , chap. II, para. 189	The Board recommends that UNHCR establish a control mechanism to ensure that country offices monitor the implementation of partnership agreements as agreed	UNHCR established communities of practice to allow country offices and regional bureaux to share best practices in monitoring partnership agreements. UNHCR has two dedicated channels in Yammer – Programme Management and	Based on UNHCR actions taken and documentation provided, the Board considers the recommendation to be implemented.	X			

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			in the monitoring schedule and in a timely manner.	Project Control – as well as one in Teams – Project Management and Control – under the Regional Control Team channel. UNHCR continues to work on the design of the planned Project Reporting, Oversight and Monitoring Solution (PROMS), which will include functionalities to enhance financial and performance project monitoring, thereby improving the ability of oversight functions to oversee, monitor and verify activities and results. UNHCR will share the design document with the Board as evidence of the controls embedded in PROMS that will address this recommendation. Based on the above, UNHCR is requesting closure of this recommendation.					
24	2019	A/75/5/Add.6 , chap. II, para. 194	The Board recommends that UNHCR develop an aggregate risk-based project monitoring template that summarizes and prioritizes the monitoring approach for all partnership agreements in a given country operation and in the region under the purview of a given bureau.	As mentioned above, a project monitoring and oversight system is under development, which will greatly reduce the dependency of UNHCR on paper-based tools, including current risk-based monitoring tools. UNHCR is actively seeking to incorporate into this new online system an aggregate risk-based project monitoring template.	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X		

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25	2019	A/75/5/Add.6 , chap. II, para. 201	The Board recommends that UNHCR headquarters and/or regional bureaux monitor country operations to ensure that they entrust procurement for a value of more than \$100,000 only to partners with a valid pre-qualification for procurement status.	<p>The Implementation Management and Assurance Service of the Division of Strategic Planning and Results has worked with the regional bureaux to clarify the requirements for compliance with the procurement policy for values of more than \$100,000. The Service enhanced the monitoring of procurement values allocated to partners in relation to their partner with pre-qualified for procurement status. In this regard, UNHCR shared with the audit team a number of steps that it has taken to improve monitoring.</p> <p>In the longer term, the Division of Strategic Planning and Results will seek to include functionality in the project management and oversight system (currently under development) and/or the United Nations Partner Portal that will enable easier monitoring of compliance in this area.</p> <p>Based on the above, UNHCR is requesting closure of this recommendation.</p>	Based on UNHCR actions taken and the online tool under development, the Board considers the recommendation to be implemented.	X			
26	2019	A/75/5/Add.6 , chap. II, para. 213	The Board recommends that UNHCR review, in a combined exercise, the process of granting pre-qualification for	The Division of Emergency, Security and Supply and the Division of Strategic Planning and Results reviewed the process for entrusting procurement to partners. This review resulted in a number of	Based on UNHCR actions taken and the ongoing assessment, the Board considers the recommendation to be implemented.	X			

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			procurement status to partners and the process for entrusting procurement to partners. UNHCR should ensure that the processes cover all main aspects of a procurement procedure and require the review of audit results and monitoring or verification observations in the area of partner procurement.	<p>improvements that were shared with the audit team.</p> <p>During the first quarter of 2021, additional collaboration between the Division of Emergency, Security and Supply and the Division of Strategic Planning and Results took place to identify further enhancement possibilities in the current process of assessing applications for pre-qualified for procurement of partners. The outcome of this review will be implemented in the second quarter of 2021.</p> <p>Given that the review has been carried out, UNHCR is requesting closure of this recommendation.</p>					
27	2019	A/75/5/Add.6 , chap. II, para. 216	The Board recommends that UNHCR review the templates for entrusting procurement to implementing partners in order to ensure a meaningful analysis, a calculation of costs and a justified decision. This should include a calculation of costs when a partner is not exempted from value added tax.	<p>The Division of Emergency, Security and Supply and the Division of Strategic Planning and Results reviewed the process and the templates for entrusting procurement to implementing partners and updated the templates. The revised templates shared with all UNHCR field offices clarify the requirements to take into account the impact of the non-exemption for value added tax (VAT) as an additional element that increases the costs.</p> <p>Based on the above, UNHCR is requesting closure of this recommendation.</p>	Based on UNHCR actions taken and the updated template, the Board considers the recommendation to be implemented.	X			

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28	2019	A/75/5/Add.6 , chap. II, para. 221	The Board recommends that, in order to ensure compliance with established rules, UNHCR define clear monitoring responsibilities at headquarters and/or the regional bureaux regarding the country-level process to entrust procurement to partners.	The Division of Strategic Planning and Results, in collaboration with the Division of Emergency, Security and Supply, reviewed the process to entrust procurement to partners in order to enhance the analysis that country offices undertake to determine comparative advantages when entrusting procurement to them. Moreover, the updates include a clarification of the requirement for the field offices regarding the procurement capacity assessment of partners before any procurement is entrusted. In addition, the role of the supply function in leading this process at the field level was emphasized in the communication to the field offices. As noted in the response to annex item number 26 above (A/75/5/Add.6 , chap. II, para. 213), the Division of Strategic Planning and Results continues to monitor the procurement values entrusted to partners. The regional bureaux continue to provide oversight to the country offices to ensure compliance. Based on the above, UNHCR is requesting closure of this recommendation.	Based on UNHCR actions taken and documentation provided, the Board considers the recommendation to be implemented.	X			

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29	2019	A/75/5/Add.6 , chap. II, para. 231	The Board recommends that UNHCR analyse the weaknesses in the selection and/or definition of impact indicators, outputs and performance indicators, and explore options for better supporting country operations in preparing partnership agreements.	The weaknesses in the definition of impact indicators are addressed across the organization through the adoption of a revised results-based management system that is better equipped to address such indicators. UNHCR country offices are being trained to enhance the management of partnership agreements in the context of rolling out the new system (COMPASS). Moreover, more capacity enhancement opportunities will be offered during the year, in addition to discussions within the communities of practice established by the Implementation Management and Assurance Service of the Division of Strategic Planning and Results for field offices to share best practices. UNHCR foresees that this recommendation will be addressed by the end of 2021, once the organization is familiar with the new results-based management system.	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X		
30	2019	A/75/5/Add.6 , chap. II, para. 238	The Board recommends that UNHCR develop a plan for the ongoing implementation and extension of multi-year partnership agreements (including a financial target) for the years ahead. This	The Implementation Management and Assurance Service of the Division of Strategic Planning and Results is in the process of reviewing policies and practices in relation to multi-year agreements in the light of multi-year planning reforms that are under way as a part of	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X		

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31	2019	A/75/5/Add.6 , chap. II, para. 240	The Board recommends that UNHCR provide templates for multi-year partnership agreement amendments to continue the agreement into the second year. Such templates should provide for necessary information such as budget information and updated instalment plans in a concise format.	the results-based management roll-out. This recommendation is in progress. As part of the review of policies and practices for multi-year agreements (see the management response to annex item number 30 above (A/75/5/Add.6 , chap. II, para. 238), the Division of Strategic Planning and Results is also reviewing the templates for multi-year agreements.	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X		
32	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.	CashAssist is currently used in 14 countries. Since the end of May 2021, 20 additional countries have been trained to use it. These countries are in the process of updating their standard operating procedures to reflect the use of CashAssist in their operation, upon which they will use CashAssist as their cash delivery system. It is envisioned that an additional 25 countries will be trained by the end of 2021 and will have incorporating the use of CashAssist into the operating procedures. In addition, it is envisioned that, by the end of 2021, a total of 59 countries will	The Board defines the roll-out of CashAssist as successful when CashAssist is used for cash payments in the operation. In 2020, this was the case for nine country operations. In addition to having a successful roll-out, CashAssist should run stably for the number of bulk payments foreseen, and a gateway/application programming interface should be in place between version 4 of proGres (proGres v4) and CashAssist, as well as		X		

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				<p>be using CashAssist as their cash distribution system.</p> <p>The automated data integration channel between proGres v4 and CashAssist has been fully operational and functional since 2017. Further enhancements are planned in 2021 with regard to a dedicated automated financial gateway, entitled "Digital Hub of Treasury Solutions – Connectivity for Banking", for a standardized and streamlined connection with financial service providers, with integration between CashAssist and future cloud enterprise resource planning systems infrastructure.</p>	<p>between CashAssist and the financial service provider.</p>				
33	2019	A/75/5/Add.6 , chap. II, para. 249	The Board recommends that UNHCR specify the procedures for the procurement of financial services when participating in common cash facilities involving commingled cash pools. The procedures should also provide for a periodic review to confirm that the financial service provider has the capabilities to administer the programme and to meet UNHCR-	<p>The following actions have been taken: UNHCR, the United Nations Children's Fund (UNICEF) and the World Food Programme jointly issued inter-agency collaborative procurement guidance on humanitarian cash transfers, thereby establishing procedures for collaborative procurement. UNHCR has strengthened financial service provider due diligence assessments to ensure full traceability and accountability in the segregation of funds. The selection of financial service providers under common cash facility arrangements emphasizes novel information technology, specifically the use of separate</p>	<p>The Board welcomes the development of detailed inter-agency collaborative procurement guidance on humanitarian cash transfers, as well as strengthened due diligence. The Board considers the recommendation to be implemented.</p>	X			

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			specific requirements.	wallets to guarantee individual traceability for all participating agencies. UNHCR has strengthened monitoring of financial service provider compliance with contract terms and standard operating procedures, including assessment of the timeliness of refunds in the periodic vendor performance evaluations. Based on the above, UNHCR is requesting closure of this recommendation.					
34	2019	A/75/5/Add.6 , chap. II, para. 257	The Board recommends that UNHCR simplify the budget process for global fleet management and comply with the instruction and global fleet central funding element according to which rental- and sales-generated revenues should be made available to the self-sustained global fleet management fund. Until this budget process has been simplified, the unallocated income from the global fleet should be explicitly and transparently identified and traced for monitoring	In 2021, the Division of Financial and Administrative Management is in the process of establishing a separate fund for global fleet management. Under the new structure, the global fleet management budget and transactions will be traced and reported separately to enable clear measurement of performance and to implement a simplified process of resource allocation. A financial model was created in 2020 that captures major data on global fleet management, such as rental, insurance, disposal revenue and expenses, and is able to provide projections on global fleet management requirements over several years. This new tool will be used for further planning and budget allocations to global fleet management. With regard	The Division of Financial and Administrative Management is in the process of transforming global fleet management from a unit operated as an operation into an independent fund structure. This measure is accompanied by a simplified resource allocation process and the possibility to carry over the budget. The overall process of transformation is continuing. The Board assesses the measures taken thus far (implementation of the new situation code and new cost centres, etc.) as appropriate to meet the recommendation and considers the recommendation to be under implementation.		X		

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			purposes and then allocated to the global fleet budget as deemed appropriate.	to the second part of the recommendation, on the allocation of income, this process will take place as part of year-end revenue allocation. After the 2020 global fleet management income is allocated to the 2020 global fleet management expenditure in the Annual Programme Fund, the balance will be set aside as the 2020 closing balance. UNHCR will then reclassify it to "situation 9010" (a technical solution in MSRP) as the 2021 opening balance in the new special fund. These actions are ongoing; therefore, this recommendation is in progress.					
35	2019	A/75/5/Add.6 , chap. II, para. 264	The Board recommends that UNHCR support operations in their needs assessment for new vehicles in accordance with applicable administrative instructions.	In 2020, UNHCR conducted 36 webinars for 88 operations, in which 459 UNHCR personnel participated. The webinars were focused on the "Peak-of-Peak" method for rightsizing the 2021 fleet based on utilization data from the vehicle tracking system. A global 2021 fleet plan has been established and will be monitored jointly by UNHCR (monitoring fleet orders and disposals) and the service provider (monitoring utilization data). Headquarters will continue to organize such webinars in future years. UNHCR therefore considers that it has taken sufficient action to support the operations in their needs assessment and	UNHCR implemented "Peak-of-Peak" data analysis as a method for rightsizing the vehicle fleet. During its virtual field visits, the Board witnessed that webinars were conducted at operations. The Board holds that the data quality necessary to perform "Peak-of-Peak" analysis has not yet reached its optimum. This issue has been addressed through a new recommendation. Nevertheless, the Board considers the recommendation to be implemented.	X			

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				that it has a system in place to continue to do so. Based on the above, UNHCR is requesting closure of this recommendation.					
36	2019	A/75/5/Add.6 , chap. II, para. 265	The Board recommends that UNHCR encourage operations to provide information on mileage in FleetWave since global fleet management intended to use mileage as a criterion for disposal. If the system is not set up for that functionality, it should be adjusted accordingly.	In January 2021, the Asset and Fleet Management Section of the Division of Financial and Administrative Management implemented a monthly follow-up to a set of data to be entered in FleetWave, including mileage. Moreover, the vehicle tracking system automatically estimates the mileage of vehicles with active tracking devices. Consequently, closure is requested.	UNHCR issued requirements that operations should accumulate and document any fleet-related data through FleetWave. The aggregated data in FleetWave are transferred to regional bureaux in quarterly updated reports. Those reports indicate vehicles that are due for disposal. The Board holds that UNHCR should set up the means for collecting and analysing fleet data to indicate which vehicles must be disposed of. Therefore, the Board considers the recommendation to be implemented.	X			
37	2019	A/75/5/Add.6 , chap. II, para. 266	The Board recommends that UNHCR take measures to establish a meaningful overall procurement plan for light vehicles based on operations' needs assessments and disposal plans.	The vehicle procurement plan will be based on the 2021 fleet plan and the global fleet management financial model. The fleet plan for 2021 and onwards will include data such as the current fleet size, planned disposal, utilization, vehicle orders and the planned fleet size and utilization targets for the year.	The Board welcomes steps taken to address the recommendation. The implementation of a vehicle fleet plan provides consistent and comprehensive information on the optimal fleet size at operations based on data available in FleetWave and through "Peak-of-Peak" analysis. Notwithstanding the Board's findings that data captured by FleetWave are poor, the Board considers the vehicle fleet plan to be a first step and a theoretical approach to		X		

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38	2019	A/75/5/Add.6 , chap. II, para. 272	The Board recommends that UNHCR define a reasonable level of capacity to optimize the average vehicle storage duration. UNHCR should consider lessons learned for all models before ordering new vehicles so as to avoid storage durations of more than 12 months.	Based on the number of vehicles ordered in previous years, lead time, storage time and stock size, in 2020, the Division of Financial and Administrative Management decided to order a maximum of 1,000 vehicles for 2021, compared with 1,200 vehicles (718 units purchased for the global pipeline in 2020) ordered in previous years, thereby adjusting the pipeline and reducing storage time at the hubs. In the future, the Division will analyse annually the optimal number of cars to be ordered, as well as their models, to ensure that storage duration is not prolonged. Based on the above, UNHCR considers this recommendation to have been addressed and is requesting its closure.	advising operations on optimal fleet size. The Board holds that this plan has to result in adjusted ordering behaviour on the part of the operations. The Board notes that the ratio of planned procurement to ad hoc procurement is still 40 per cent to 60 per cent, respectively. Taking into account that the vehicle fleet plan has not yet resulted in improved procurement, the Board considers the recommendation to be under implementation.				X

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39	2019	A/75/5/Add.6 , chap. II, para. 274	The Board recommends that UNHCR consider including vehicles that are on stock for more than 12 months in the year-end impairment exercise.	UNHCR has implemented a change in the starting date for the recording of the depreciation of vehicles, bringing it forward from the date on which the vehicles enter into service to the date on which they are ready for use (defined as when they are fully kitted out with requisite parts and accessories at the central storage locations where they are held prior to deployment). The loss of value inherent in temporarily idle vehicles from 2020 is therefore reflected as depreciation. Based on the above, UNHCR is requesting closure of this recommendation.	Under its assessment of annex item number 5 above (A/75/5/Add.6 , chap. II, para. 44), the Board stated that it welcomed the survey on impairment of property, plant and equipment, which includes vehicles. The Board agrees with UNHCR that the survey needs to be further enhanced, which includes the consideration of vehicles. Therefore, the recommendation above remains under implementation. Specifically, the Board notes that vehicles at the hub are only equipped with accessories upon order by operations; only then are they ready for use. UNHCR decided to bring the start of depreciation forward to the point in time at which the vehicles are equipped and ready for use. However, that does not cover the storage duration until the vehicles are equipped and ready for use. The Board holds that the earlier start of normal depreciation does not cover the IPSAS-required impairment testing. In view of the above-mentioned recommendation, the Board closes this recommendation with the expectation that vehicle impairment testing				X

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40	2019	A/75/5/Add.6 , chap. II, para. 279	The Board recommends that UNHCR capitalize expenses on accessories and their installation.	UNHCR has implemented this recommended change in the 2020 financial statements. All material accessories and their related installation costs are now capitalized at standard costs. Based on the above, UNHCR is requesting closure of this recommendation.	will be included in the above-mentioned recommendation. In the revised policy on accounting for property, plant and equipment (IPSAS 17) (UNHCR/HCP/2016/1/Rev.2, para. 4.4.2), it is stipulated that, as at 31 December 2019, individual elements that were acquired separately but are built into an item that is recognized as an asset must be capitalized accordingly. To fulfil this requirement, UNHCR established the following additional expense accounts for the recognition of expense capitalization: 654100, "vehicle accessories (other) cost capitalization", and 653100, "vehicle accessories (radios and vehicle tracking system) cost capitalization". The Division of Financial and Administrative Management established a method to capitalize the expenses separately as assets. The Board considers this recommendation to be implemented.	X			
41	2019	A/75/5/Add.6 , chap. II, para. 283	The Board recommends that UNHCR take steps to capture the mileage of the fleet together with	As from 2021, the Asset and Fleet Management Section of the Division of Financial and Administrative Management has been working with the	See the response to UNHCR action with regard to implementation of the recommendation contained in paragraph 265 of chapter	X			

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			the age of the vehicles as a basis for the disposal decision.	operations to capture mileage, fuel consumption and service/repair data on a monthly basis. The age of vehicles is also available. For vehicles that have been in an accident, data on age and mileage is already taken into consideration for the repair/disposal decision. Moreover, through the vehicle tracking system, a mileage estimate is recorded, and data from both FleetWave and the tracking system are included in the quarterly updates submitted to the Regional Controllers. The present response is to be read in conjunction with the response to the recommendation contained in paragraph 265 of chapter II of A/75/5/Add.6 . Based on the above actions, closure is requested.	II of A/75/5/Add.6 . In addition, the vehicles' age and mileage are captured to identify vehicles that are due for disposal. The Board considers this recommendation to be implemented.				
42	2019	A/75/5/Add.6 , chap. II, para. 291	The Board recommends that UNHCR ensure that disbursement agreements are signed in a timely manner. Annex A, as an integral part of the disbursement agreement, should be amended if amendments are required during the year. Furthermore, UNHCR should review and revise the June 1998 agreement with the United	A new disbursement agreement template was agreed on with UNOPS in late 2020 and implemented for 2021 agreements. Similarly, the June 1998 agreement was reviewed, but it was determined that no changes to that agreement were required at the time. Annex A to each disbursement agreement is now expected to be updated regularly during the year to reflect the latest estimates of overall commitment and required funding to finance the employment of the affiliate workforce through the	The Board considers the recommendation to be implemented.	X			

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			Nations Office for Project Services (UNOPS).	UNOPS mechanism. The new administrative instruction on the management of the affiliate workforce will also provide increased clarity on the documents to be maintained for handling UNOPS contracts and on the importance of their timely completion. Therefore, UNHCR considers this recommendation addressed.					
43	2019	A/75/5/Add.6 , chap. II, para. 297	The Board recommends that UNHCR establish compliance controls to ensure that its staff enters reliable data in MSRP for reporting and monitoring.	With the updated disbursement agreement complemented by the recent administrative instruction on the management of the affiliate workforce, it is expected that compliance with data entry procedures will improve. In the medium term, the architecture and development of the new enterprise resource planning system replacing MSRP will take into account more optimal modalities of handling affiliate workforce data that would enable better reporting and monitoring.	In accordance with the ongoing review of the business transformation process, the Board will keep this matter under review. Therefore, the Board considers this recommendation to be under implementation.		X		
44	2019	A/75/5/Add.6 , chap. II, para. 302	The Board recommends that UNHCR take measures to ensure regular monitoring and follow-up of the budget committed for UNOPS; in particular, UNHCR should review the amount of the committed budget	The new disbursement agreements valid from 2021 require the mandatory dispatch of disbursement agreement-related purchase orders and the inclusion of a purchase order number reference in the agreement, as well as on all related UNOPS invoices. These process enhancements should allow for and ensure the	The Board takes note of the amended year-end process for reviewing UNOPS arrangements and will keep this matter under review.		X		

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			during the year and release the remaining reserved balances once the UNOPS invoices have been settled.	completeness and reliability of the monitoring of UNOPS purchase order data on the business intelligence platform. Furthermore, the centralized year-end process for reviewing UNOPS arrangements on that platform has been enhanced and extended so that unused or unneeded remaining purchase order balances are highlighted and can be released on a timely basis. Based on the above, UNHCR is requesting closure of this recommendation.					
45	2019	A/75/5/Add.6 , chap. II, para. 306	The Board recommends that UNHCR, in consultation with UNOPS, develop procedures to improve payment through advanced funding in order to reduce the outlay and increase the benefit.	Discussion has taken place with UNOPS, resulting in agreement to leave the current process as it is for 2021. Interim steps to improve financial management are summarized in the responses to the recommendations contained in paragraphs 291 and 302 of chapter II of A/75/5/Add.6 . However, a true overhaul of the payment and advance process must be tied to the implementation of the new enterprise resource planning system. UNHCR will design a simplification of the UNOPS process into the new system, but results will not be seen until 2023. Consequently, UNHCR considers this recommendation to be overtaken by events.	The Board will keep this matter under review and will follow up on the process in 2021.		X		

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46	2019	A/75/5/Add.6 , chap. II, para. 311	The Board recommends that UNHCR establish comprehensive controls to prevent inconsistency of data on contractors engaged through UNOPS.	The new human resources enterprise resource planning system is expected to be implemented in 2022. This recommendation is already reflected in the architecture building phase of the new system. The recommendation is currently being addressed.	UNHCR stated that it will establish comprehensive controls in the new system in order to prevent inconsistency of data. The Board considers the recommendation to be implemented.	X			
47	2019	A/75/5/Add.6 , chap. II, para. 316	The Board recommends that UNHCR define more clearly under what circumstances the use of UNOPS contractors is considered to be reasonable and necessary for its operations. Valid operational reasons should be defined in the framework by given examples in order to ensure the appropriate use of individual contractor agreements under UNOPS.	The administrative instruction on the management of the affiliate workforce (UNHCR/AI/2020/7) was issued on 11 December 2020. Annexed to the instruction is the feasibility assessment form, which requires all hiring UNHCR offices to document all relevant aspects of hiring affiliate personnel (including individual contractors administered by UNOPS) as part of their workforce planning. Annex II, on the management and use of individual contracts (applicable to UNOPS contractors), further strengthens the definitions and the scope within which individual contracts can be used. Based on the above, UNHCR is requesting closure of this recommendation.	The Board considers the recommendation to be implemented.	X			
48	2019	A/75/5/Add.6 , chap. II, para. 321	The Board recommends that UNHCR regularly monitor the ratio of its regular staff to its affiliate workforce.	The administrative instruction on the management of the affiliate workforce was issued on 11 December 2020. It relates to the ratio and the responsibility to monitor.	The Board considers this recommendation to be implemented.	X			

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49	2019	A/75/5/Add.6 , chap. II, para. 331	The Board recommends that UNHCR review the proGres v4 deployment strategy and adapt the deployment plan accordingly.	Based on the above, UNHCR is requesting closure of this recommendation.	In 2020, despite the challenges of the coronavirus disease (COVID-19) situation and the organizational transformation, proGres v4 was deployed at 27 operations, bringing the total to 100 operations. The number of individual records in proGres v4 increased from 10.2 million to 15 million, representing a 50 per cent increase, with most migrations conducted remotely and with a downsized deployment team at headquarters. In order to adapt to the new operational and organizational environment, the Global Data Service reviewed and adapted the proGres v4 deployment strategy to address the remaining 25 per cent of deployments based on a population count of the 5 million individual records remaining. Following the logic of "the top 80 per cent", a similar approach will be adopted by targeting the 10 pending country operations with the largest refugee populations in proGres v3, representing 97 per cent of the target data and taking into account approaches to the resolution of current global challenges. This implementation plan is already under way. Given that the	Based on UNHCR comments and the documentation provided, the Board considers the recommendation to be implemented.	X			

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				strategy was reviewed and amended, closure is requested.					
50	2019	A/75/5/Add.6 , chap. II, para. 342	The Board recommends that UNHCR elaborate further the provisional guidance and finalize this as mandatory guideline for decommissioning proGres v3, integrating the decommissioning guidance timeline.	The Global Data Service has drafted internal guidance outlining the timeline and expected areas of responsibilities associated with the decommissioning of proGres v3 databases following the transition to proGres v4. The guidance will be finalized and circulated to all UNHCR field offices by the second quarter of 2021.	Based on UNHCR comments and the documentation provided, the Board considers the recommendation to be closed.	X			
51	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.	Operations have already begun to electronically confirm that instances of proGres v3 were decommissioned after successful upload to the data preservation platform, a long-term off-site digital platform managed by the Records and Archives Unit of the Division of External Relations and designed to be the repository for data that should be retained indefinitely.	The Board will follow up on the process. The recommendation remains under implementation.		X		
52	2019	A/75/5/Add.6 , chap. II, para. 353	The Board recommends that the UNHCR data protection policy require the designation of data controllers at the global and regional levels.	UNHCR will ensure that the global data protection policy clearly indicates accountability for data at the local, regional and headquarters levels. The policy is at an advanced stage of drafting.	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board considers it to be under implementation.		X		
53	2019	A/75/5/Add.6 , chap. II, para. 360	The Board recommends that UNHCR carry out a data protection impact assessment at an early stage to	In order to be able to conduct data protection impact assessments more readily, UNHCR has initiated the process of outsourcing components of the	The Board acknowledges that UNHCR is working on this recommendation. Therefore, the Board		X		

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			ensure that the results can be taken into account when planning and designing new ICT systems and enhancing major features of prevailing ICT systems and interoperability for the processing of personal data.	assessments to a competitively selected partner, with whom there should be a contract in the second half of 2021. The initial steps involve scoping the outsourced components of the assessments and defining technical expertise and requirements for the procurement process, as well as assessment and selection criteria. UNHCR envisages that the first year (beginning when partners are selected) will be a pilot year in which to evaluate the needs, requirements and performance of the selected contractor. UNHCR foresees that, through the outsourced capacity for the assessments, the organization can ensure that they are completed consistently and in a timely manner for new ICT systems that affect the personal data of persons of concern.	considers it to be under implementation.				
54	2019	A/75/5/Add.6 , chap. II, para. 367	The Board recommends that UNHCR embed cooperation between the Division of Information Systems and Telecommunications and the Data Protection Officer in relevant current and new ICT project guidelines and administrative	In follow-up to previous updates, the Data Protection Officer is fully engaged in identifying areas of joint guidance elaboration between the Division of Information Systems and Telecommunications and the Global Data Service, throughout the joint authorship of the Chief Information Security Officer and the Data Protection Officer. Strengthened	Based on UNHCR comments and provided documents, the Board considers the recommendation to be implemented.	X			

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			instructions in areas of personal data processing.	collaboration between the Division and the Data Protection Officer has been embedded in practical terms in a joint guide on storing and processing the personal data of persons of concern outside the Population Registration and Identity Management EcoSystem (PRIMES), which has been finalized and was published in April 2021. The Division and the Service will continue to identify joint areas of work. Additional joint normative product areas are being identified and agreed upon for development in 2021. Based on the above, UNHCR is requesting closure of this recommendation.					
55	2019	A/75/5/Add.6 , chap. II, para. 374	The Board recommends that UNHCR ensure that data controllers keep the Data Protection Officer fully informed of any data transfer agreement and data protection impact assessment carried out under their responsibility.	The implementation of this recommendation is being addressed through the partial devolution of the role of the Data Protection Officer to regional bureaux as part of the decentralization and regionalization process. Regional bureaux acquire regional data protection authority, which is defined in the data, identity management and analysis framework for delivery. With clearly defined roles, accountabilities and authorities between the field, the region and headquarters, an organizational and systemic change will ensure a responsible and accountable	Based on UNHCR comments and the documentation provided, the Board considers the recommendation to be implemented.	X			

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				flow of data and information between all relevant entities. Under chapter 6.2 of the UNHCR data protection policy, all data sharing agreements require the review and of clearance by the Data Protection Officer. With the introduction of a regional Data Protection Officer at a regional bureau, the responsibility to provide initial guidance, support and monitoring to country operations lies with that officer. Under the current regional structure, the Data, Identity Management and Analysis Coordinator acts as the regional Data Protection Officer, with data protection roles divided across other pillars in the regional bureaux.					
56	2018	A/74/5/Add.6 , chap. II, para. 20	The Board recommends that UNHCR revise the presentation and disclosure of net assets in the financial statements, ensuring that fund accounting information is used only in so far as to supplement applicable IPSAS requirements.	UNHCR did not concur with the recommendation. It will instead consider revising the net asset presentation once the new standard on revenue recognition is revised. A suite of three new exposure drafts covering revenue recognition and transfer expenses was issued by the IPSAS Board for comment in February 2020. UNHCR is currently reviewing the implications of these drafts for financial reporting.	UNHCR does not concur with the recommendation and has not taken steps to implement it. The Board maintains the position that the presentation and disclosure of net assets in the financial statements need to be revised to ensure compliance with the IPSAS nomenclature of net assets. The recommendation has not been implemented.				X

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57	2018	A/74/5/Add.6 , chap. II, para. 45	The Board furthermore recommends that UNHCR review the item master data on a regular basis. Items that have not been selected for a longer period should be set to "discontinue". The standard unit prices should be updated periodically. Items in the item master data should be automatically flagged for review of actual pricing and accuracy after a defined period (e.g. five years).	UNHCR reviewed the item master data based on the list of items (requisitions, purchase orders and vouchers) not used in the past three years. The list included 142 items (attached), and the approval of all the item category owners from the Division of Financial and Administrative Management, the Division of Information Systems and Telecommunications, the Division of Emergency, Security and Supply and the Division for Resilience and Solutions is requested for the discontinuation. UNHCR has reviewed and updated the standard prices for active inventory items. It conducted the review based on the average price for the past three years of procurement. UNHCR reviewed 544 items (attached) and updated the values with the support of the Division of Information Systems and Telecommunications. For services, property, plant and equipment, serially tracked items and consumables, UNHCR will discontinue the use of this functionality because standard prices cannot be determined for items in these categories. Based on the above, UNHCR is requesting closure of this recommendation.	The Board acknowledges that UNHCR reviews the catalogue on a regular basis, including the amendment of specific items in response to the COVID-19 pandemic, which were categorized as inventory. Furthermore, the standard price of more than 500 items has been updated thus far. The Board considers the recommendation to be implemented.	X			

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58	2018	A/74/5/Add.6 , chap. II, para. 50	The Board recommends that UNHCR establish a consistent accounting process and guidance for items that are procured for direct transfer of ownership to other entities especially for cases that do not refer to the implementation of a specific programme. UNHCR should flag these items in the MSRP system and disclose expenses resulting from such transfers separately in the notes to the financial statements.	The change request to identify property, plant and equipment, serially tracked items, inventory and consumable items procured for transfer of ownership has been implemented in MSRP and was applicable to new requisitions as from 2021. Based on the above, UNHCR is requesting closure of this recommendation.	The Board welcomes the steps taken and will follow up during the 2021 audit cycle concerning the way in which the implemented measures address the recommendation in practice. Moreover, the Board found additional cases and particularities with regard to the transfer of ownership during the 2020 audit. Therefore, the Board considers the recommendation to be under implementation.		X		
59	2018	A/74/5/Add.6 , chap. II, para. 64	The Board recommends that UNHCR ensure well-coordinated accountabilities, authorities and reporting lines for managers in the newly created regional and headquarters structures. The reporting lines, accountabilities and authorities should be integrated into the current structures of UNHCR and provide for the necessary coordination and monitoring at headquarters.	This response is to be read in conjunction with annex items numbers 16, 17 and 18 above (A/75/5/Add.6 , chap. II, paras. 126, 135 and 141, respectively). The actions mentioned there will also address this recommendation.	The Board acknowledges that UNHCR is still working on this recommendation. Therefore, the Board considers it to be under implementation.		X		

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60	2018	A/74/5/Add.6 , chap. II, para. 77	The Board recommends that UNHCR use the new results-based management tool to present the link between input, outcome and results, including the outputs delivered by implementing partners, and facilitate alignment of country operation plans with inter-agency and multi-partner processes.	Accomplished through the roll-out of the new results-based management processes, the new results framework, as well as the new COMPASS tool, began in January 2021, and operations will be submitting their strategic plans for 2022 and beyond (for those developing multi-year strategies) using the new tool. Details on the new framework and tool have been provided. UNHCR is requesting closure of this recommendation.	With the implementation of COMPASS, the Board considers this recommendation to be implemented.	X				
61	2018	A/74/5/Add.6 , chap. II, para. 99	The Board recommends that UNHCR implement additional control mechanisms in the newly changed organization structure that compensate for the increased capitalization thresholds.	UNHCR does not agree that it needs to add additional controls. The buildings that are now not capitalized owing to the increased thresholds are considered serially tracked items. Therefore, despite the lack of capitalization, they are still tracked. Considering the fixed nature of buildings, and that they are verified at least every other year, UNHCR believes that there are sufficient control mechanisms. For 2020, UNHCR leveraged the green box initiative as a proxy for the physical count. For serially tracked items, country offices confirmed 73 per cent of the buildings. UNHCR is confident that, over the period 2020–2021, it will obtain coverage that is	The Board concludes that the new approach of using green boxes to track and monitor the existence of buildings changes the circumstances of the recommendation and therefore considers the recommendation to be overtaken by events.					X

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				significantly higher than 80 per cent. Once the green boxes are installed, UNHCR will be able to verify the buildings through their energy use reports. UNHCR consider this recommendation closed.					
62	2018	A/74/5/Add.6 , chap. II, para. 141	The Board recommends that UNHCR develop and maintain an overview of the specific VAT exemption procedures and formalities, applicable VAT rates, the deliveries and services concerned, due dates and thresholds for each country operation. UNHCR should carry out periodical analytical reviews of key VAT figures.	The annual questionnaire update was performed again in 2020, and the first part of the recommendation is considered to have already been implemented. Following an analysis of potential MSRP VAT reconfiguration to address the second analytical part of the recommendation, it was concluded that implementation would be excessively complicated and not justifiable prior to the implementation of the new enterprise resource planning system. More useful VAT analysis will be included in design requirements for the new enterprise system project. UNHCR therefore asks that the recommendation be closed as overtaken by events.	In terms of the open part of the recommendation, the periodical analytical reviews of key VAT figures, the Board took note of the statement of work agreed on with the new software provider that reflects the intention to configure transaction taxes in detail and thus to ensure that UNHCR has a modern and useful way of managing and analysing VAT across the organization in the new systems. The Board considers this recommendation to be implemented.	X			
63	2018	A/74/5/Add.6 , chap. II, para. 147	The Board recommends that UNHCR enhance its variance analysis of salaries and employee benefits to carry out the controls required in the financial control matrix.	UNHCR has attached a sample of its enhanced version of a plausibility variance analysis for September 2019 to September 2020 with the analysis of the aggregated summary of salary payments to staff, as well as graphs to visualize major variances. Based on the above, UNHCR	The Board welcomes the addition of the aggregated summary of the detailed figures that summarizes the result of the analysis and highlights major variances. The Board considers this recommendation to be implemented.	X			

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64	2018	A/74/5/Add.6 , chap. II, para. 156	The Board recommends that UNHCR document the regular run of human resources monitoring reports in a log tracking file. The reports with results should be uploaded to eSafe. UNHCR should document the review in a separate column of the MSRP human resources reports and take appropriate (corrective) action, if necessary. The number of automated human resources reports should be increased.	is requesting closure of this recommendation. This recommendation has been overtaken by events. In November 2020, UNHCR launched the digital human resources project (Digital HR) and decided to freeze HR MSRP-related enhancements, excluding mission-critical items, in the light of moving to a new platform in 2022. In January 2021, the Human Resources Staff Service training and compliance team was established with the aim of centrally coordinating training activities, compliance monitoring, internal and external audit and oversight roles concerning the Personnel Administration and Payroll Section. As a result, the preparation and distribution of, and follow-up to, monthly and ad hoc human resources and payroll module MSRP (HR MSRP) reports are now done centrally, and the creation of a dedicated team allows for a greater focus on compliance monitoring. The newly established team has the capacity and authority to perform some of the activities planned to be included under the robotic process automation project (centrally administered health coverage changes for the United Nations Staff Mutual Insurance Society against Sickness and Accidents and the medical insurance plan) and to closely monitor the medical	The Board acknowledges that UNHCR does not enhance MSRP, but will use the new platform and has established a Human Resources Staff Service training and compliance team. Therefore, the Board considers the recommendation to be implemented.	X			

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65	2018	A/74/5/Add.6 , chap. II, para. 161	The Board recommends that UNHCR examine the options for implementing an approval cycle for the review of the MSRP human resources reports in the MSRP human resources module to facilitate supervisory controls and their consistent documentation.	insurance affiliations. The team is regularly tasked to centrally undertake mass reviews and corrections of specific data in the enterprise resource planning system, as required. Based on the above, UNHCR is requesting closure of this recommendation.	This recommendation has been overtaken by events, given that a new enterprise resource planning system has been selected and will be implemented in 2022. As was noted in the 2018 report, other control mechanisms are in place to compensate for the lack of documented approval within MSRP. UNHCR would accept a new recommendation on report design for the new human resources enterprise resource planning system.	Given that UNHCR has selected a new enterprise resource planning system that will be implemented in 2022, and that other control mechanisms are in place, the Board considers it acceptable (given the costs and benefits) that UNHCR has not examined options for implementing an approval cycle for the review of the HR MSRP reports in the current HR MSRP module. The Board expects the new system to contain an appropriate approval cycle. The recommendation can be closed.				X
66	2018	A/74/5/Add.6 , chap. II, para. 226	The Board recommends that UNHCR establish additional controls to perform overall reviews as well as sample checks and increase compliance with the implementing partner sections of the UNHCR manual through more	The regional bureaux project control staff established procedures to regularly monitor the compliance of the country offices with the partnership implementation requirements. They include regular regional meetings with focal persons to share good practices and provide practical solutions to challenges. The Implementation Management and Assurance Service of the	Based on the procedures established in the regional bureaux, the Board considers this recommendation to be implemented.		X			

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			accountability. This could be embedded in the new regional bureaux structure through the future Regional Control Officers.	Division of Strategic Planning and Results is supporting the regional bureaux and the country offices by issuing periodic compliance reports covering the review of the process and signatures of the project finance report. The discussions with the regional bureaux on these matters have increased awareness of the need to ensure full compliance. Moreover, the Service conducts periodic quality reviews of the performance monitoring and financial verification reports, and the feedback is shared with the field offices, with recommendations when applicable. Based on the above, UNHCR is requesting closure of this recommendation.					
67	2018	A/74/5/Add.6 , chap. II, para. 235	The Board recommends that UNHCR implement further electronic processes, such as submission of partner financial reports from partners through the United Nations Partner Portal and electronic signature for the approval of partner financial reports to replace the current offline verification signatures where possible, in order to	In the short term, UNHCR has introduced measures that allow partners and UNHCR staff to sign project financial reports, monitoring reports and verification reports electronically, according to the established delegation of authority plan. Because partners and staff now sign those reports electronically, according to the established plan, UNHCR is requesting closure of this recommendation.	Based on UNHCR actions taken and documentation provided, the Board considers the recommendation to be implemented.	X			

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			facilitate strengthened internal controls. When electronic signatures are implemented, UNHCR should ensure that the authorities are aligned with the delegation of authority plan.						
68	2018	A/74/5/Add.6 , chap. II, para. 262	The Board recommends that UNHCR strengthen the link of performance review and resource requirements to additional instalment payments and document the review accordingly when initiating the payment of additional instalments.	In addition to the changes made to enhance the project finance report templates as previously reported, in paragraph 5.6 of annex E to the administrative instruction on detailed planning, budgeting, monitoring and implementation for 2021 (UNHCR/AI/2020/11), UNHCR provided further clarification to country offices of how to handle the release of future instalments. Based on the above, UNHCR is requesting closure of this recommendation.	The Board welcomes the changes introduced in the project finance report templates and the regulations in the administrative instruction for 2021. The Board considers the recommendation to be implemented.	X			
69	2018	A/74/5/Add.6 , chap. II, para. 267	The Board recommends that UNHCR transparently link transfers of ownership to project partnership agreements in cases where the recipient is an implementing partner. The transfer of ownership agreement and MSRP recordings should state the project	The Implementation Management and Assurance Service of the Division of Strategic Planning and Results and the asset management of the Division of Financial and Administrative Management are updating the transfer of ownership template to include a free text area for a short description (200 characters with spaces). It will read "Reason for transfer (brief description)". The	The revised form shows the partnership agreement. The updated transfer of ownership template offers a free text area for a short description to explain the reason for the transfer of ownership. The Board considers the recommendation to be implemented.	X			

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70	2018	A/74/5/Add.6 , chap. II, para. 299	partnership agreement identification symbol. The purpose of the transfer should be clearly defined and stipulated in the transfer of ownership agreements. The Board recommends that UNHCR incorporate the results of the evaluation report in the next fleet strategy and assess the sequence and importance of the processes needed to be implemented and prioritize them accordingly.	Division of Information Systems and Telecommunications is in the final process of implementing this change request. With the new functionality in place to describe the purpose of the transfer, UNHCR is requesting closure of this recommendation. The draft fleet strategy for the period from January 2021 to December 2025 has been finalized and will be presented to senior management in the first quarter of 2021. The seven recommendations in the evaluation report have been incorporated into the overall functioning of the Asset and Fleet Management Section to varying degrees. For example, a new finance structure is currently being developed for the Section, and the Section is the de facto go-to agency for asset disposal, has signed a service-level agreement for auctioning services with the World Food Programme and awaits the signing of a second such agreement with the Food and Agriculture Organization of the United Nations. With the new bureau structure, communication with operations on fleet management has been enhanced and improved. Based on the above, UNHCR is requesting closure of this recommendation.	UNHCR has further developed the global fleet strategy for the period 2021–2025. The main recommendations in the evaluation report are integrated into the advanced fleet strategy. The strategy encompasses multiple projects that are aimed at enhancing the capacity to deliver and to facilitate the service potential of global fleet management. Some of the projects have already begun or are pilot models in the process of testing, such as auctioning services provided to the World Food Programme or rental car services provided to the United Nations Population Fund. The Board considers the recommendation to be implemented.	X			

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71	2018	A/74/5/Add.6 , chap. II, para. 300	The Board recommends that the field level should be obliged to record all operational and financial data in the analysis tools (FleetWave/vehicle tracking system) and that global fleet management staff have access to all databases and have the capacity to carry out analytical services and evaluate the data.	Similar to the updates to recommendation in paragraph 265 of A/75/5/Add.6 . FleetWave data are now monitored on a monthly basis by a service provider, and the FleetWave users' list is shared with the operations for updates, thereby ensuring access to the databases by fleet management staff, as required. In December 2020, 94 per cent of the overall UNHCR fleet were equipped with a vehicle tracking system. UNHCR considers that sufficient data are now entered and captured in FleetWave. UNHCR has a system in place that was implemented by a service provider, Restrata, that supports analysis and monitoring of relevant data. The solutions will be scaled up across all relevant operations. Based on the above, UNHCR is requesting closure of this recommendation.	UNHCR provided field operations with tools for data recording, together with corresponding instructions. Global fleet management is enabled to gain access to fleet data and performs regular analysis. The Board considers the recommendation to be implemented.	X			
72	2018	A/74/5/Add.6 , chap. II, para. 301	The Board recommends that UNHCR consider a solution to integrate operational and cost data from commercially rented vehicles in the operational and cost analysis.	A desk review of commercially rented vehicles used in 10 operations, which included major findings and recommendations for senior management on ways to improve the situation with regard to commercial rentals, has been completed. As analysis is complete, closure requested.	UNHCR performed a profound desk review regarding the utilization of external rental car services by field operations. Following this analysis, UNHCR plans to adjust processes, publish specific guidance and establish a comprehensive monitoring schedule. The Board considers the recommendation to be implemented.	X			

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73	2018	A/74/5/Add.6 , chap. II, para. 307	The Board recommends that UNHCR should strengthen its justification and documentation for hiring individual contractors under the circumstances that the required capability is not available in UNHCR.	The administrative instruction on the management of the affiliate workforce was issued on 11 December 2020. Annexed to the instruction is the feasibility assessment form, which requires all hiring UNHCR offices to document all relevant aspects of hiring affiliate personnel (including individual contractors) as part of their workforce planning. Annex II to the instruction, on the management and use of individual contracts, further strengthens the definitions and the scope within which the contracts can be used. Based on the above, UNHCR is requesting closure of this recommendation.	The Board considers the recommendation to be implemented.	X			
74	2018	A/74/5/Add.6 , chap. II, para. 310	The Board recommends that UNHCR ensure the mandatory break in service of three full months is fulfilled in every case. Therefore, UNHCR should monitor the duration of contracts to comply with the applicable limits set.	The administrative instruction on the management of the affiliate workforce was issued on 11 December 2020. Annex II to the instruction supersedes the UNHCR policy on individual contractors (UNHCR/IOM/011/2013-UNHCR/FOM/011/2013) of 31 January 2013. Annex II to the instruction specifies a maximum duration of a contract for an individual contractor. However, the break in service is now optional, as described in paragraph 53, which stipulates that a consultant's contract may be extended any number of times, for any duration, with or	The Board considers the recommendation to be implemented.	X			

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				without breaks in service. Therefore, UNHCR considers this recommendation no longer relevant and proposes its closure as overtaken by events.					
75	2018	A/74/5/Add.6 , chap. II, para. 316	The Board recommends that UNHCR provide clear guidance to divisions and field operations (hiring entities) to enhance the awareness of human resources clearance. UNHCR should amend the respective policies with regard to human resources clearance and ensure the involvement of the Affiliate Partnerships Unit in the clearance process.	The administrative instruction on the management of the affiliate workforce renders the human resources clearance process a mandatory requirement when hiring affiliate workforce (paras. 38, 40 (f) and 42 (h)). (For more information, see the guidance note in the administrative instruction and its annexes, sect. 15, annex II, para. 45 (h)). Based on the above, UNHCR is requesting closure of this recommendation.	The Board considers the recommendation to be implemented.	X			
76	2018	A/74/5/Add.6 , chap. II, para. 317	The Board also recommends that UNHCR establish tools that enable the processing of human resources clearance on an online basis.	This recommendation has been overtaken by events. Enhancements to MSRP are frozen, given the upcoming implementation of a new system. The architecture phase of the new online system replacing MSRP was launched in January 2021, and this aspect is part of the requirements under which the new system will be designed and configured. UNHCR is requesting closure of the recommendation and welcomes observations on the design of the new system.	The Board considers the recommendation to be implemented.	X			

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77	2018	A/74/5/Add.6 , chap. II, para. 324	The Board recommends that UNHCR ensure that the entire contractor identification and selection process is independently verified or is based on an approval workflow process (as an integrated part of the MSRP module) in order to increase transparency and efficiency of the selection decision made by the hiring manager.	This recommendation has been overtaken by events. While UNHCR had previously piloted a solution, subsequent enhancements related to MSRP were frozen, given the upcoming implementation of a new system. The architecture phase of the new online system replacing MSRP was launched in January 2021, and this aspect is part of the requirements under which the new system will be designed and customized. UNHCR is requesting closure of the recommendation and welcomes observations on the design of the new system.	The Board will follow up on the process during the new audit cycle and will review the functionality of the new cloud-based system. The Board closes the recommendation.				X
78	2018	A/74/5/Add.6 , chap. II, para. 327	The Board recommends that UNHCR pay particular attention to preparing specific job descriptions that enable the responsible officials to evaluate the performance of contractors. Therefore, UNHCR should review the existing performance classification as a component of the evaluation report and consider whether the evaluation report and template could be established in the MSRP module.	While UNHCR will not be standardizing job descriptions for the affiliate workforce, it is recommending the use of existing standard job descriptions, where applicable. The administrative instruction on the management of the affiliate workforce, in its annex II, provides clarity on the requirements of the terms of reference (i.e. job descriptions) for individual contract holders. Section 5 of the guidance note in the administrative instruction stipulates that affiliates may have functions that are similar to those of staff members, that hiring entities are encouraged to use the job titles for affiliates from the	The Board will follow up on the process. The recommendation remains under implementation.		X		

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				<p>UNHCR job title catalogue and to create new titles only if necessary and that specificities of an affiliate assignment should be elaborated in the operational context of the terms of reference rather than reflected in the job title.</p> <p>Full standardization of contractor job descriptions and of titles similar to those used for staff is not needed owing to the broad spectrum of activities that they cover, and it would go against the concept of flexible work arrangements. This was not in the spirit of the original observation.</p> <p>With regard to evaluations in MSRP, this recommendation is no longer feasible and has been overtaken by events.</p> <p>Enhancements related to MSRP are frozen, given the upcoming implementation of a new system. The inclusion of affiliate workforce in the system's performance evaluation function is part of the requirements.</p>					
79	2018	A/74/5/Add.6 , chap. II, para. 328	The Board also recommends that UNHCR conduct an analysis to determine whether the assignment of contractors is the most cost-effective solution.	The administrative instruction on the management of the affiliate workforce was issued on 11 December 2020. Annexed to the instruction is the feasibility assessment form, which requires all hiring UNHCR offices to document all relevant aspects of hiring affiliate personnel (including	A feasibility analysis is implemented in the new administrative instruction. The Board considers the recommendation to be implemented.	X			

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80	2018	A/74/5/Add.6 , chap. II, para. 343	The Board recommends that UNHCR establish mandatory UNHCR-wide minimum information security standards in an ICT governance framework as soon as possible.	individual contractors) as part of their workforce planning. The form also requires the analytics and elaboration of the cost implications. Based on the above, UNHCR is requesting closure of this recommendation. UNHCR is working on issuing an information security policy by the end of the second quarter of 2021.	The Board will follow up on the process. The recommendation remains under implementation.		X		
81	2018	A/74/5/Add.6 , chap. II, para. 344	The Board recommends that UNHCR establish a mandatory central clearance process to avoid the duplication of existing applications and establish a register for all applications developed in the field. Field offices should inform the Division of Information Systems and Telecommunications when they plan to develop additional applications.	The clearance process is addressed at the planning stage, at which point applications that exceed defined thresholds, whether planned centrally or locally, must be sent to the Transformation and Governance Board, of which the Division of Information Systems and Telecommunications is a party, to avoid duplication of systems. Regional ICT officers are in communication with the Division at headquarters to ensure that the requirement of submission to the Information and Communications Technology Governance Board is adhered to and to maintain an up-to-date inventory of locally developed applications and	Based on UNHCR comments and the documentation provided, the Board considers the recommendation to be implemented.	X			

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				systems. Regarding the recommendation to establish a register of applications, the Division maintains a list of locally developed applications in the central ICT management tool and follows up on the updating of the list on a best-effort basis. When field offices plan to develop an application locally, the Division is informed. Based on the above, UNHCR is requesting closure of this recommendation.					
82	2018	A/74/5/Add.6 , chap. II, para. 345	The Board recommends that UNHCR make additional funds available to implement and monitor mandatory minimum information security standards in the field.	Numerous improvements have been made and initiatives launched. Details have been provided to the audit. UNHCR is requesting closure of this recommendation.	Based on UNHCR comments and the documentation provided, the Board considers the recommendation to be implemented.	X			
83	2018	A/74/5/Add.6 , chap. II, para. 356	The Board recommends that UNHCR document primary and supporting assets for the information security risk assessment.	Core ICT processes, activities and information, as well as hardware and infrastructure, have been captured as primary or supporting assets in a new tool that was recently implemented. The cybersecurity transformation programme includes a specific project to ensure that the confidentiality, integrity and availability requirement for each key supported application is assessed, and that assessment will be cascaded into the new	Based on UNHCR comments and the documentation provided, the Board considers the recommendation to be implemented.	X			

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84	2018	A/74/5/Add.6 , chap. II, para. 365	The Board recommends that UNHCR strengthen the position of the Chief Information Security Officer and increase interaction with top management. To secure the position of the Officer, the Board recommends that UNHCR redefine and describe the role and tasks of the Chief Information Security Officer in an overarching information security mandatory guideline that defines mandatory requirements, controls and responsibilities of all stakeholders. The mandatory guideline should also grant the Chief Information Security Officer a reporting line to a consultative and reporting body that includes membership by top management.	tool. Given that the assets are documented and the framework to facilitate is in place, UNHCR considers this recommendation addressed.	A Chief Information Security Officer has been appointed, based in Geneva, in the Division of Information Systems and Telecommunications and reporting to the Chief Information Officer. The role and tasks of the Chief Information Security Officer will be described in the new information security policy, scheduled to be issued in the second quarter of 2021. The Chief Information Security Officer will provide relevant reports related to information security to senior leadership on a regular basis (the precise method is under discussion). The implementation of this recommendation is in progress.	The Board will follow up on the process. The recommendation remains under implementation.		X		
85	2018	A/74/5/Add.6 , chap. II, para. 374	The Board recommends that UNHCR plan to develop an overall	An advance working draft of the global data protection policy has been prepared following internal	The Board will follow up on the process. The		X			

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			data protection policy to include the protection of personal data of all UNHCR personnel.	consultations throughout 2019 and 2020. UNHCR established the Global Data Service, a key stakeholder in the policy that is now engaged in reviewing and updating the draft, in 2020. Detailed data mapping exercises have been undertaken, which will inform the draft policy and provide the tools to facilitate tailored implementation by highlighting stakeholders, interests and gaps. The drafting process in 2020 was a response to external and internal developments, including: the engagement of the Service in the process; the United Nations data strategy, adopted in April 2020; ongoing dialogue between the United Nations and external actors; and the regionalization process that has been implemented within UNHCR. The time frame for finalization and consultation has been extended to the fourth quarter of 2021.	recommendation remains under implementation.				
86	2018	A/74/5/Add.6 , chap. II, para. 382	The Board recommends that UNHCR review and update the Data Protection Officer's role and functions in such a way that the Officer is able to perform the tasks stated in the policy on the protection of personal data of	The implementation of this recommendation is being addressed through the partial devolution of the role of the Data Protection Officer to the regional bureaux as part of the decentralization and regionalization process. Regional bureaux acquire regional data protection authority, which is defined in the data, identity management	Based on UNHCR comments and the documentation provided, the Board considers the recommendation to be implemented.	X			

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			persons of concern to UNHCR. The Board also recommends that as UNHCR develops its global data protection policy, it should ensure that accountability regarding protection of all personal data is addressed.	and analysis framework for delivery. The framework was endorsed in February 2021 by the Senior Data Advisory Board. With clearly defined roles, accountabilities and authorities between the field, the region and headquarters, an organizational and systemic change will ensure a responsible and accountable flow of data and information between all relevant entities. Furthermore, the forthcoming overarching data protection policy, which takes into account the regionalization and decentralization process and various types of personal data that UNHCR collects and processes, foresees further formalization of accountability across the organization at various levels. UNHCR is requesting closure of this recommendation, given that the above-mentioned actions result in an organizational change that ensures accountability across multiple levels.					
87	2018	A/74/5/Add.6 , chap. II, para. 387	The Board recommends that the UNHCR Data Protection Officer have appropriate access to the top management.	Through the establishment of the Global Data Service and of the Senior Data Advisory Board as the central data governance entity for organization-wide direction in relation to data, the subject of data protection is elevated to top management. The Service reports to the Chef de Cabinet of the High Commissioner, who also acts as	Based on UNHCR comments and the documentation provided, the Board considers the recommendation to be implemented.	X			

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				Chair of the Board. UNHCR is requesting closure of this recommendation.					
88	2017	A/73/5/Add.6 , chap. II, para. 119	The Board recommends that UNHCR develop more specific guidance on how to implement the corporate position on the Sustainable Development Goals.	An operational guide on the Sustainable Development Goals and the United Nations Sustainable Development Cooperation Framework, along with a related toolbox, was completed and shared with all staff. Based on the above, UNHCR is requesting closure of this recommendation.	Based on UNHCR actions taken and the published guidelines, the Board considers the recommendation to be implemented.	X			
89	2017	A/73/5/Add.6 , chap. II, para. 120	The Board also recommends that UNHCR define reasonable targets for developing, implementing and managing engagement of country operations in the Sustainable Development Goals so as to support an effective and coherent approach for UNHCR engagement in the Goals in the field.	An operational guide on the Sustainable Development Goals and the United Nations Sustainable Development Cooperation Framework, along with a related toolbox, was completed and shared with all staff. This document provides parameters under which operations can take part in country-level United Nations support for the host Government in relation to the Goals and the Framework, which will help to support an effective approach to UNCHR engagement. Based on the above, UNHCR is requesting closure of this recommendation.	Based on UNHCR actions taken and the published guidelines, the Board considers the recommendation to be implemented.	X			
90	2017	A/73/5/Add.6 , chap. II, para. 172	The Board recommends that UNHCR enhance compliance with its policy and standard operating procedures on individual consultants, ensure	Since January 2020, senior human resources partners have been operational in all regional bureaux and have assumed an oversight function with regard to affiliate contract management. Furthermore, the roles of the senior human	The Board considers the recommendation to be implemented.	X			

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			effective consultant contract management and consider centralizing some tasks of the hiring units to obtain a higher level of specialization.	resources partners, human resources partners and senior human resources managers are outlined in paragraph 41 of the administrative instruction on the management of the affiliate workforce. This includes, inter alia, monitoring the overall cost expenditure in the region/division, monitoring the ratio of staff positions to affiliate workforce engagements in the region/division and regularly reviewing the functions assigned to affiliates. All of these actions will lead to improved oversight of the engagement of individual consultants and will contribute to ensuring increased compliance with the policies. Based on the above, UNHCR is requesting closure of this recommendation.					
91	2017	A/73/5/Add.6 , chap. II, para. 181	The Board recommends that UNHCR review its policy and the standard operating procedures for the use of individual consultants. During this process UNHCR should enhance the guidance on advertising requirements, the segregation of duties, waiver processes, processes to	Annex II to the administrative instruction on the management of the affiliate workforce provides a clearer definition of the consultant scheme, as well as more detailed rules regarding the requirements of the selection process, documents, the waiver process, consultant fees, payment reconciliation and the file management process. UNHCR is requesting closure of this recommendation.	The Board considers the recommendation to be implemented.	X			

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			determine and negotiate consultant fees, documents supporting payment reconciliation and the file management process.						
92	2017	A/73/5/Add.6 , chap. II, para. 213	The Board recommends that UNHCR assess how a more efficient management of core relief items in stock, which includes supplies of country operations, could be put in place. This assessment should address the question as to whether UNHCR might be seen as one organization with regard to "ownership" of its inventories.	Operational guidance on core relief items has been developed and will soon be issued. End-to-end non-food item guidance systematizes the management of such items throughout the programme cycle. The guidance sets out the details of roles and responsibilities by activity, as well as technical guidance on the distribution of non-food items. It is expected that, thanks to the reinforced monitoring role of the regional bureaux, complemented by operational guidance, the handling of stock of core relief items will become more efficient. While UNHCR will continue to fine-tune the roles and assignment of responsibilities for the life cycle management of its inventory items among internal stakeholders at the global, regional and country levels, it believes that the framework for achieving more efficient management of stock is essentially in place and considers this recommendation addressed.	The Board acknowledges the progress being made with regard to the process of decentralization and the draft of new operational guidance on core relief items. Since the operational guideline is not yet published, the recommendation remains under implementation.		X		

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93	2017	A/73/5/Add.6 , chap. II, para. 214	The Board further recommends that the Division of Emergency, Security and Supply review all UNHCR inventories on a periodic basis and, if the observations from these reviews permit it, advises regional bureaux and country operations on opportunities for an efficient stockpile management at the country level.	The new organizational architecture put in place through the recent regionalization and decentralization process resulted in reinforcement of the monitoring role of the regional bureaux. With technical support from headquarters, UNHCR will continue to fine-tune the roles and assignment of responsibilities for the life cycle management of its inventory in general among internal stakeholders at the global, regional and country levels (for core relief items, see the response to annex item number 92 above (A/73/5/Add.6 , chap. II, para. 213)). Given that the most significant part of UNCHR inventories consists of core relief items, this recommendation is addressed in conjunction with the response to the recommendation contained in paragraph 213 of the above-mentioned report. UNCHR considers that the framework enabling each of the organizational levels to exercise its assigned roles in terms of optimizing inventory management is in place, while further fine-tuning may be performed as needed, and therefore considers this recommendation addressed.	The Board acknowledges the progress being made with regard to the process of decentralization and the draft of a new operational guideline on core relief items. Since the operational guideline is not yet published, the recommendation remains under implementation.		X		

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94	2017	A/73/5/Add.6 , chap. II, para. 222	The Board recommends that UNHCR initiate an internal stakeholder process to assess how more efficient order placement and purchase planning could be put in place.	Extensive work was performed to review the processes of order placement and purchase planning. The result of the work is defined in the upcoming administrative instruction on procurement, expected to be issued in the second quarter of 2021. Given that the recommendation was to initiate an internal stakeholder process, which was concluded, UNHCR is requesting closure of this recommendation.	The Board acknowledges the publication of a new administrative instruction on procurement and efforts being made towards a more precise description of the process planning steps, roles and responsibilities. The Board considers the recommendation to be implemented.	X			
95	2017	A/73/5/Add.6 , chap. II, para. 226	The Board recommends that UNHCR identify further opportunities for the consolidation of requirements, either at a regional or even a global level.	Guidance on further opportunities for the consolidation of requirements will be included in the upcoming administrative instruction on procurement, as well as in the revised chapter on procurement (chapter 8) of the UNHCR manual. The instruction includes a reference to the need for a consolidated procurement plan made up of three components, of which two are related to existing contracts to be extended or renewed. The new instruction imposes the use of the plan, which is not mandatory thus far. It is therefore expected that the plan will help to achieve consistent collection of data and to facilitate further analysis. However, it must be noted that there could be many reasons that consolidation is not possible or even	The Board acknowledges the publication of a new administrative instruction on procurement and the progress being made with regard to the initiation of a consolidated procurement plan and its opportunities for consolidated requirements at the stage of defining specifications. The Board is aware of necessary options for exigencies in single cases. Revised chapter 8 is not yet published, but the Board assumes that the changes in the instruction are based on the expected upgrades to the chapter. Therefore, it considers the recommendation to be implemented.	X			

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96	2017	A/73/5/Add.6 , chap. II, para. 229	The Board recommends that UNHCR expedite its revision of chapter 8 of the UNHCR manual in order for staff to gain access to consistent and reliable guidance on procurement procedures.	<p>recommendable. UNHCR does not support an automated enforcement of consolidation requirements. UNHCR believes that it is important to have mechanisms in place that would enable the identification of such opportunities. Nevertheless, it should always be left to the professional judgment of the supply staff concerned to decide whether, in that market and at that time, consolidation is to be pursued. Based on the above, UNHCR is requesting closure of this recommendation.</p> <p>UNHCR disseminated a policy on procurement (UNHCR/HCP/2021/01) and an administrative instruction on procurement (UNHCR/AI/2021/05) on 25 May 2021. These documents, which will become effective on 1 September 2021, update, clarify and expand the guidance previously included in chapter 8 of the UNHCR manual. Therefore, and as noted, access to consistent and reliable guidance, as requested by the Board, is available, and the guidance is much improved. UNHCR will retain and update chapter 8, which will not include further policies, instructions or procedures, but will provide additional explanations and practice aids. Overall, the revised chapter 8</p>	The Board acknowledges the publication of a new administrative instruction on procurement and the regulations that will be included in chapter 8 of the manual. Based on this, the Board considers the recommendation to be implemented.	X			

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				will serve as a repository of detailed guidance on procurement and other supply-related matters. Based on the above, UNHCR is requesting closure of this recommendation.					
97	2017	A/73/5/Add.6 , chap. II, para. 234	The Board recommends that UNHCR include the remaining applications in the disaster recovery plan to increase their data security.	All applications developed in the field are included in the disaster recovery plans of the field offices. A field information technology continuity plan has been assembled and made available to the information technology community in the field. Based on the above, UNHCR is requesting closure of this recommendation.	The Board noted that UNHCR has established adequate ICT disaster recovery guidelines. The Board considers the recommendation to be implemented.	X			
98	2017	A/73/5/Add.6 , chap. II, para. 235	As part of overall business continuity management, the Board further recommends that UNHCR establish an ICT disaster recovery guideline.	An ICT disaster recovery plan was finalized in the fourth quarter of 2019 and was made available to the information technology community in the field. Based on the above, UNHCR is requesting closure of this recommendation.	The Board noted that UNHCR has established adequate ICT disaster recovery guidelines. The Board considers the recommendation to be implemented.	X			
99	2017	A/73/5/Add.6 , chap. II, para. 240	The Board recommends that UNHCR implement comprehensive backup and disaster recovery guidelines in every country operation. The guidelines should be embedded in the local business continuity management.	As mentioned in the response to the recommendation contained in paragraph 235 of chapter II of A/73/5/Add.6 , a general disaster recovery guideline has been finalized and provides template models to be used by the operations. Each operation is expected to customize the templates by using its own data to put in place a specific disaster recovery plan. Based on the above, UNHCR is requesting closure of this recommendation.	The Board noted that UNHCR has established an adequate ICT disaster recovery guideline. The Board considers the recommendation to be implemented.	X			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
100	2017	A/73/5/Add.6 , chap. II, para. 244	The Board recommends that UNHCR review responses from the field to the checklist on ICT general computer controls for UNHCR field operations and that country operations take timely steps to address any significant weaknesses.	A full ICT self-assessment questionnaire has been added to the site profile in the central ICT management tool, and a dashboard is available for monitoring. The system allows both headquarters and country operations to identify gaps and take steps to remediate weaknesses. Through this, UNHCR has put in place a mechanism for ongoing monitoring and therefore considers this recommendation as addressed.	Based on UNHCR comments and the presentation of the dashboard, the Board considers the recommendation to be implemented.	X				
Total						56	56	35	1	8
Percentage						100	56	35	1	8

Chapter III

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

Letter dated 31 March 2021 from the United Nations High Commissioner for Refugees and the Controller and Director of the Division of Financial and Administrative Management of the Office of the High Commissioner addressed to the Chair of the Board of Auditors

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

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

In this context, the financial statements contained in chapter V, comprising statements I to V and the supporting notes, were prepared in accordance with the financial rules for voluntary funds administered by the High Commissioner ([A/AC.96/503/Rev.10](#)) and International Public Sector Accounting Standards. In management's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2020 and its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards.

The accounts are hereby approved and certified.

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

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

Chapter IV

Financial report for the year ended 31 December 2020

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 2020, in accordance with United Nations financial regulation 6.2 of the Financial Regulations and Rules of the United Nations ([ST/SGB/2013/4](#)) and article 11 of the financial rules for voluntary funds administered by the High Commissioner ([A/AC.96/503/Rev.10](#)).
2. The financial report provides financial information relating to the voluntary funds administered by the High Commissioner, in accordance with the International Public Sector Accounting Standards. The voluntary funds include the Annual Programme Fund (consisting of the Global Refugee Programme and the Global Stateless Programme), the Global Reintegration Projects Fund, the Global Internally Displaced Persons Projects Fund, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan and the Working Capital and Guarantee Fund. It presents an overview of the operational context, financial analysis and budgetary performance by major activity groupings, highlighting trends and significant changes.
3. The financial report is designed to be read in conjunction with the financial statements, consisting of five statements and supporting notes.

B. Operational context and activities overview

4. The Office of the United Nations High Commissioner for Refugees (UNHCR) is mandated by the General Assembly to lead and coordinate international action for the protection of refugees and solutions to their plight. UNHCR seeks to reduce situations of forced displacement by encouraging States and other institutions to create conditions that are conducive to the protection of human rights and the peaceful resolution of disputes. It operates in an increasingly complex and unpredictable environment. In all of its activities, UNHCR pays particular attention to the needs of the most vulnerable and seeks to promote the equal rights of women and girls. In order to ensure protection and solutions for persons of concern, UNHCR needs to adapt and remain flexible, working closely with affected communities and a wide range of other partners. UNHCR works in partnership with governments, international and non-governmental organizations, other United Nations agencies and persons of concern, as well as the private sector, international financial institutions and civil society, including think tanks, academia and faith leaders.
5. The year 2020 was marked by the coronavirus disease (COVID-19) pandemic, which was unlike any other emergency that UNHCR had seen in its 70-year history. The response required a collective effort to support persons of concern and address wide-ranging impacts. The response to COVID-19 was focused on the most immediate needs of persons of concern and those who host them. The pandemic contributed to a more constrained humanitarian space, with pandemic-related restrictions and border closures affecting access to asylum and territory. UNHCR committed itself to “staying and delivering”, introducing measures to ensure staff health and well-being while adopting flexibility measures to account for changing operational contexts. In collaboration with governments, partners and persons of concern, the Office worked on scaling up and adapting its response to mitigate the pandemic’s impacts. Regional bureaux identified COVID-19-related requirements quickly, allowing for the swift allocation of resources and the delivery of assistance. UNHCR focused on scaling up life-saving support through health, water and sanitation and shelter support, as well as

by providing vital protection services, strengthening information-sharing and communication and providing cash support to persons of concern affected by the economic downturn and loss of jobs. New modalities of cash delivery were deployed, including increasing one-off transfers, advancing payments, aligning cash assistance with national social safety nets and switching from cash to in-kind assistance when markets were not functioning, as well as increasing the use of digital payments.

6. As at December 2020, 58.3 million persons of concern received COVID-19-related assistance from UNHCR. Nearly 9.9 million persons of concern obtained access to health services, with some 648,000 individuals receiving mental health and psychosocial support and over 1.2 million women and girls gaining access to comprehensive care. Over 16.1 million people obtained access to protection services, and 8.6 million persons of concern benefited from cash assistance.

7. UNHCR responded to new and growing displacement crises along with the COVID-19 pandemic, including in the Sahel, northern Mozambique and the Tigray region of Ethiopia. In the Sahel region, nearly 3.7 million people were forced to flee, both internally and across borders. Hundreds of thousands more were forced from their homes by violence in northern Mozambique and the Tigray region. Other protracted situations, such as in Afghanistan, Somalia and the Syrian Arab Republic, as well as with regard to the Rohingya in Asia, continued to require emergency support in 2020. Some \$36.2 million worth of core relief items were dispatched from global stockpiles to 43 countries.

8. The Office continued work related to supporting the implementation of the global compact on refugees. The COVID-19 pandemic highlighted the importance of the principles at the heart of the compact: a spirit of solidarity to work together, share responsibilities and ensure that people forced to flee are included in national responses. From Azerbaijan to Costa Rica, many Governments included refugees in their national health systems to ensure that no one is left behind. Some 1,400 pledges were made at the Global Refugee Forum at the end of 2019 by States, the private sector and development actors (including low-income refugee-hosting countries). In 2020, many Forum pledging entities revised timelines, shifted areas of focus or updated pledge objectives to adapt to the new emergency situation.

9. UNHCR continued to strengthen the Population Registration and Identity Management EcoSystem (PRIMES), a suite of interoperable registration, identity management and case management tools and applications. Innovative remote deployment modalities resulted in the roll-out of PRIMES tools to 27 new operations, leading to 100 operations using PRIMES. New approaches include the manual remodelling of biometric devices to enable contactless biometric identification and the conduct of registration interviews through video calls using smartphones. The number of individuals with records in PRIMES rose, from 10.2 million in 2019 to 15 million in 2020.

10. 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, reacquisition or confirmation of nationality by stateless persons.

11. In line with the UNHCR Strategic Directions 2017–2021, the Office focused on ensuring a more decisive and predictable engagement with internally displaced persons, in collaboration with partners and guided by the policy, coordination and operational arrangements established by the Inter-Agency Standing Committee. The Office's new policy on engagement in situations of internal displacement reflects this firm and revitalized commitment, placing emphasis on protection leadership and better aligning the organization's interventions with those of its partners. UNHCR also continued to contribute to the objectives of the 2030 Agenda for Sustainable Development.

12. UNHCR expanded its cash assistance programme to provide protection, assistance and services to persons of concern. This type of assistance helped displaced

peoples meet a variety of needs, including access to food, water, health care and shelter. It was also used to support livelihoods and facilitate voluntary repatriation. Cash-based interventions lessened the likelihood that displaced persons would resort to harmful coping strategies, such as survival sex, child labour and forced marriage. Such interventions also directly benefited local economies and contributed to peaceful coexistence with host communities. In 2020, UNHCR delivered some \$695 million in cash assistance – mainly in the form of multipurpose cash grants – to some 4 million of the most vulnerable persons of concern.

13. In 2020, the total estimated budgetary requirements for addressing the needs of all persons of concern amounted to \$9,131.3 million (\$8,635.9 million in 2019). The total available funds were \$5,403.6 million (\$4,826.2 million in 2019), while UNHCR implemented activities in the amount of \$4,837.7 million (\$4,415.3 million in 2019) (see table IV.3).

C. Financial analysis

14. The financial position of UNHCR at year-end and the annual financial performance since 2016 are summarized in table IV.1.

Table IV.1

Financial position and financial performance, 2016–2020

(Millions of United States dollars)

	2016	2017	2018	2019	2020
Total assets	2 570	2 973	3 305	3 376	4 004
Total liabilities	940	998	986	1 269	1 524
Net assets	1 630	1 975	2 319	2 107	2 480
Revenue	3 979	4 230	4 338	4 183	4 892
Expense ^a	3 852	3 851	4 083	4 258	4 337
Surplus/deficit	127	379	256	(75)	554

^a Including foreign exchange gains/losses.

15. As at 31 December 2020, total fund balances and reserves amounted to \$2,479.8 million (see statement I), representing an increase of \$373.0 million, or 17.7 per cent, compared with the balance as at 31 December 2019. This increase was a result of the performance surplus of \$554.4 million (see statement II), offset by the loss arising from the actuarial valuation of employee benefit obligations of \$181.4 million (see statement III).

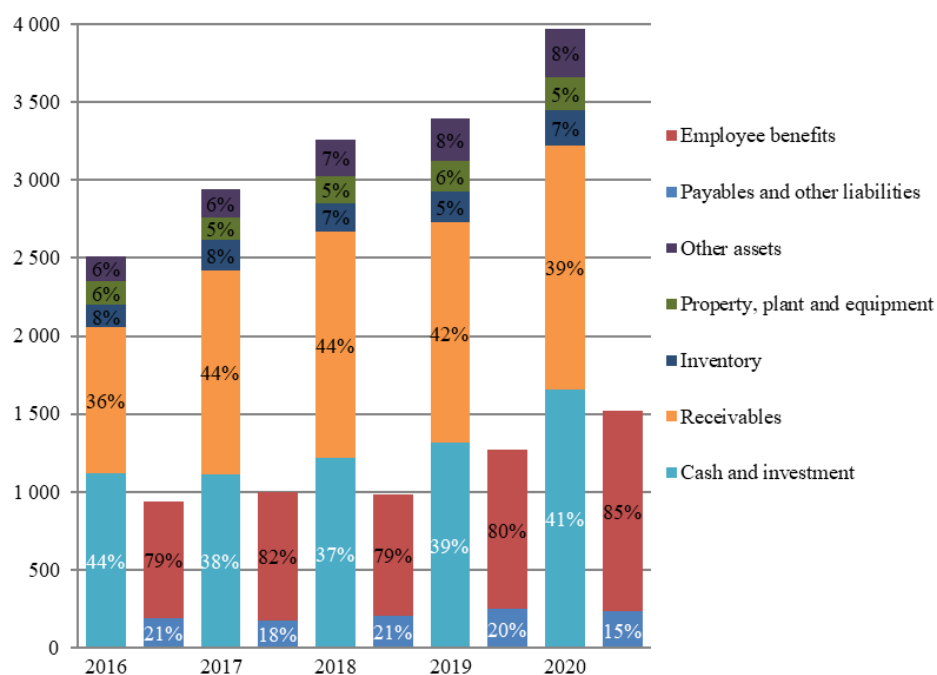
16. The fund balances and reserves comprise the accumulated fund balances and reserves (\$3,082.1 million), the Working Capital and Guarantee Fund (\$100.0 million), the Medical Insurance Plan (\$53.9 million) and the Staff Benefits Fund (net deficit of \$756.2 million).

17. The accumulated fund balances and reserves include, in addition to the balance of the Annual Programme Fund (\$2,855.7 million), the operational reserve (\$10.0 million), the new or additional mandate-related activities reserve (\$20.0 million), the Project Funds (\$185.7 million) and the Junior Professional Officers Fund (\$10.7 million), as detailed in note 3.11.

18. The composition by main category of the assets and liabilities of UNHCR as at the year-end for the years 2016 to 2020 is depicted in figure IV.I.

Figure IV.1
Assets and liabilities, 2016–2020

(Millions of United States dollars)



19. As at 31 December 2020, financial instruments such as cash, investments and receivables accounted for 80 per cent of total assets. Employee benefit obligations accounted for 85 per cent of total liabilities, largely consisting of long-term obligations.

20. Table IV.2 provides some key financial ratios as at 31 December 2020 compared with those as at 31 December 2019.

Table IV.2
Key financial ratios

	<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
Current assets to current liabilities	8.97	7.88
Total assets to total liabilities	2.63	2.66
Cash and cash equivalents to current liabilities	2.94	2.74

21. 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 2020, the current ratio of UNHCR was 8.97, 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 \$1,107.1 million of accounts receivable, which relates to future years. 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 (\$378 million). The investment of such funds is currently being assessed by UNHCR as part of deploying its long-term investment strategy for after-service health insurance funds.

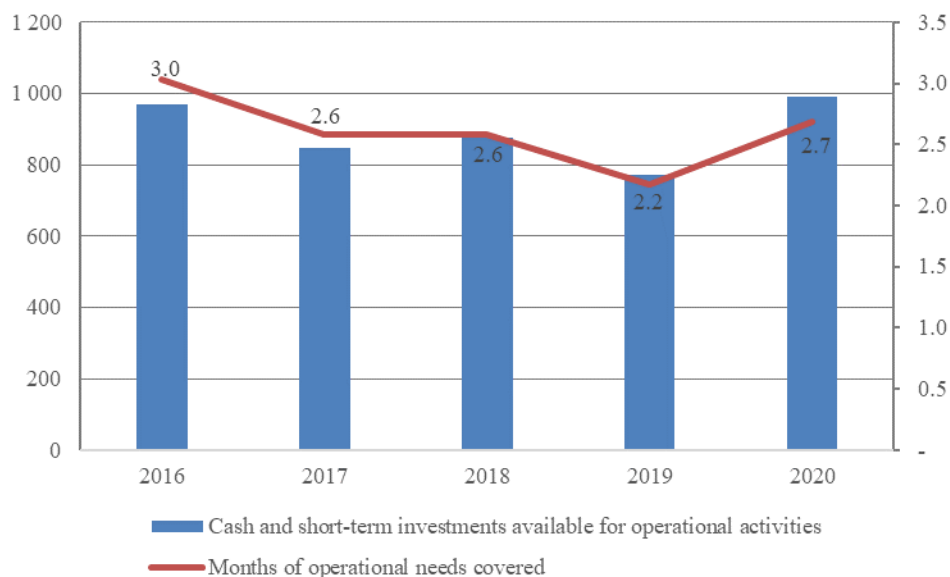
22. As at 31 December 2020, the total amount of cash and short-term investments was \$1,659.3 million, an increase of \$345.8 million compared with \$1,313.5 million in 2019. Excluding the amounts pertaining to the Working Capital and Guarantee Fund, the Staff Benefits Fund and the Medical Insurance Plan, the cash and short-term investments available for operational activities amounted to \$992.2 million (\$770.5 million in 2019). This covers approximately 2.7 months of operational needs on the basis of average monthly expenses in 2020. At the time of the certification of the financial statements (31 March 2021), the balance of cash and investments available for operational activities had decreased to \$724.8 million, representing 2.1 months of operational needs. Timely receipt of contributions is vital to the ability of UNHCR to operate.

23. Figure IV.II depicts the total amount of cash and short-term investments available for operational activities as well as the number of months of operational needs covered based on the average monthly expenses for the period from 2016 to 2020.

Figure IV.II

Total amount of cash and short-term investments for operational activities/months of operational needs covered, 2016–2020

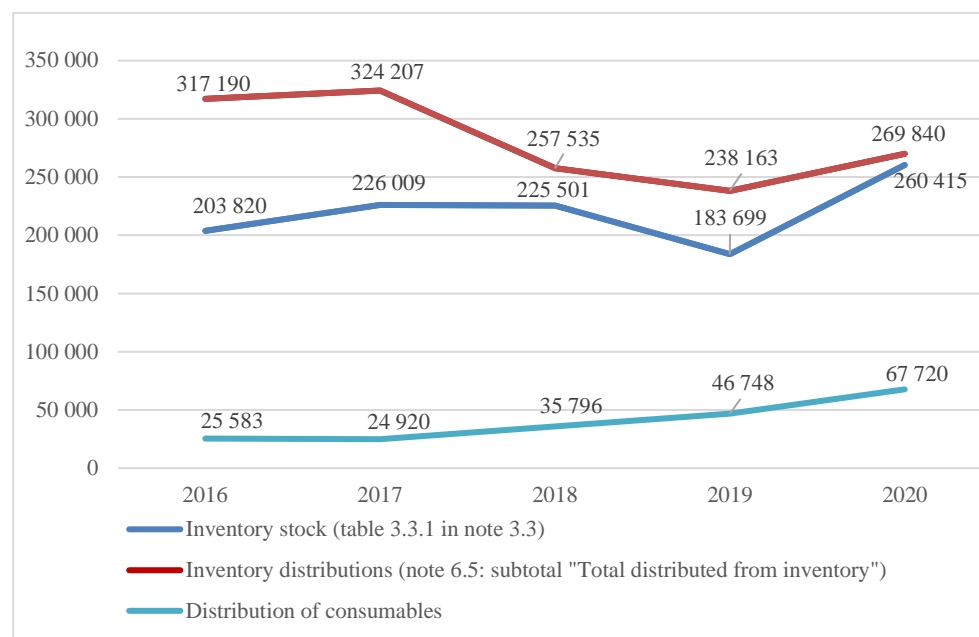
(Millions of United States dollars/number of months)



24. 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 \$269.8 million of inventory distributed in 2020, \$84.8 million (31.4 per cent) represents medical and hygienic supplies and apparel. The distribution of these items doubled compared with 2019 (\$42.9 million) owing to COVID-19-related measures.

Figure IV.III
Inventory distribution and on stock at year-end, 2016–2020

(Thousands of United States dollars)



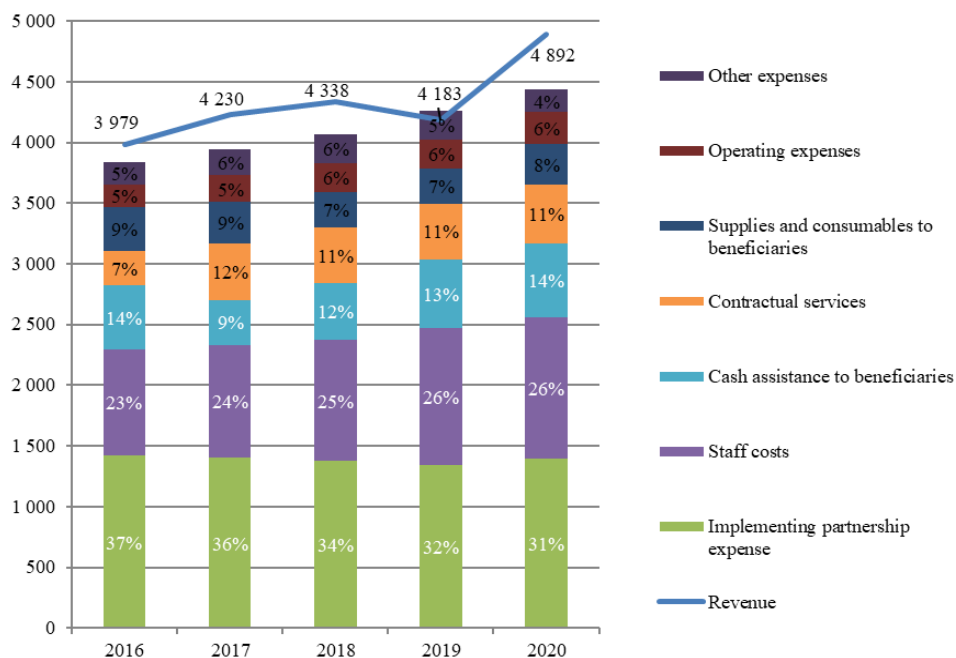
25. In terms of financial performance (see statement II), UNHCR ended the year with a surplus (revenue minus expenses, including foreign exchange gains) of \$554.4 million, compared with a deficit of \$75.1 million at the end of 2019.

26. The change in the annual result of 2020 in comparison with 2019 was driven mainly by an increase in voluntary contributions revenue of \$734.0 million, offset by an increase in total expenses of only \$174.2 million. That increase in expenses is composed of increases for supplies and consumables for beneficiaries (\$52.3 million), implementing partner expenses (\$47.2 million), salaries and employee benefits (\$43.7 million) and cash assistance to beneficiaries (38.0 million), offset by a decrease in travel expenses of \$43.9 million. The surplus was increased by foreign exchange gains of \$95.2 million recorded in 2020, while only a very minor foreign exchange loss occurred in 2019.

27. Figure IV.IV depicts the revenue and expenses for the period from 2016 to 2020.

Figure IV.IV
Revenue and expenses, 2016–2020

(Millions of United States dollars)



28. The total revenue for 2020 was \$4,891.6 million, an increase of \$708.5 million, or 17 per cent, compared with 2019. Voluntary contributions from donors, including in-kind contributions, amounted to \$4,827.8 million (accounting for 98.7 per cent of the total revenue), of which \$1,045.2 million was intended for future years' activities (2021–2025).

29. The total expenses for the financial period amounted to \$4,432.5 million, an increase of 4.1 per cent compared with 2019 (\$4,258.3 million). Statement V presents the 2020 expenditure of \$4,837.7 million on a modified cash basis used for budgeting purposes. The reconciliation between the two bases is presented in note 7. Notable changes from 2019 in annual expenses reported in statement II for 2020 are explained in the paragraphs below.

30. Expenses pertaining to agreements signed with implementing partners, amounting to \$1,392.2 million, increased by 3.5 per cent compared with 2019 (\$1,345.0 million). Substantial increases occurred primarily in Burkina Faso, Yemen and Lebanon, whereas the largest decreases occurred in Uganda, Ethiopia, Turkey and the Syrian Arab Republic. UNHCR continues its support to national partners as part of its commitment to support localization and to increase the resources entrusted to them.

31. Staff salaries and benefits, amounting to \$1,167.9 million, increased by 3.9 per cent compared with 2019 (\$1,124.2 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 unconsumed annual leave balances, offset by lower costs for after-service health insurance.

32. Cash assistance to beneficiaries represents support provided directly by UNHCR and excludes amounts distributed through partners, which are reported as part of implementing partnership expenses. The cash assistance managed directly by UNHCR, amounting to \$607.7 million, increased by 6.7 per cent compared with 2019 (\$569.7 million). The main increases related to the programmes in Greece

(\$18.5 million), Jordan (\$13.8 million) and Yemen (\$8.4 million), with the largest decreases in Lebanon, Turkey and Mexico. The amount of cash assistance provided through partners in 2020 was \$87.4 million, which results in the total cash assistance programmes implemented by UNHCR amounting to nearly \$700 million.

33. Expenses for contractual services, amounting to \$484.7 million, increased by 5.7 per cent compared with 2019 (\$458.5 million). Increases were observed in relation to the affiliated workforce and individual contractors, construction contracts and data processing, offset by small decreases in several other categories.

34. The year 2020 continued to be characterized by low interest rates in respect of the United States dollar and the euro. The organization's investment management objective is to emphasize capital preservation and liquidity over the rate of return. Interest revenue of \$5.2 million (\$19.3 million in 2019) was generated during the year. The decrease compared with 2019 is attributable to a combination of lower average cash balances and lower average interest rates, mainly with regard to the United States dollar.

35. The statement of changes in net assets (statement III) shows the movements in the fund balances and reserves. Included in the ending net assets balance is \$1,428.6 million of receivables intended for future-period activities (2021–2025), as shown in table 3.2.2. Furthermore, UNHCR had legal commitments (open purchase orders) of \$615.3 million as at 31 December 2020 for goods and services to be received early in 2021. Accordingly, some of the revenue recognized in 2020 and previous years will only be matched by expenses to be incurred during 2021 and subsequent years.

36. It is worth noting that, at its seventy-first session, in October 2020, the Executive Committee endorsed a revision of the UNHCR financial rules with effect from January 2022 (see [A/75/12/Add.1](#), chap. III, sect. B). The approved revision includes the replacement of the pillars structure, the introduction of the concept of a budget period, the reduction of the required operational reserves (from 10 per cent to 5 per cent of the proposed programme budget) and the discontinuation of the new or additional activities – mandate-related reserve. The Executive Committee also approved the duration of a budget period of 12 months, corresponding to the calendar year.

D. Programme budget performance highlights

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

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

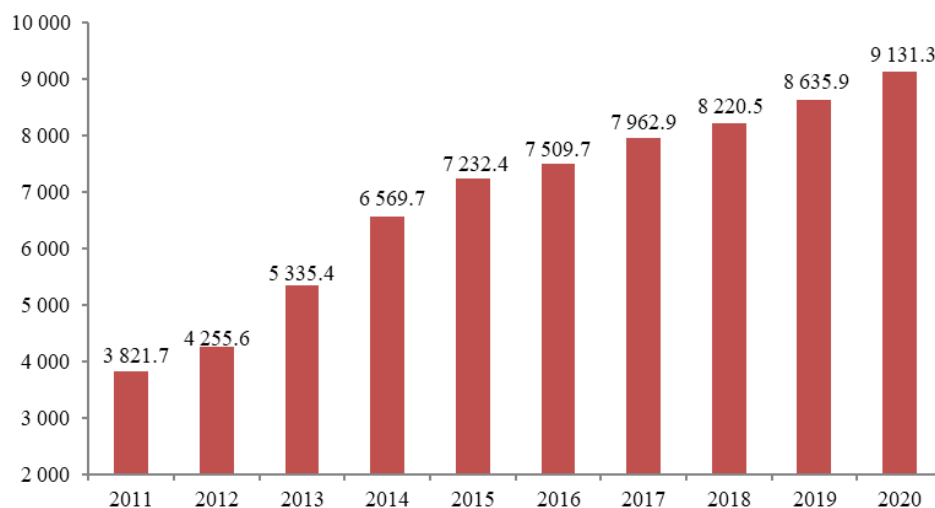
39. The programme budget of UNHCR is formulated on the basis of a global needs assessment methodology, meaning that an assessment of the needs of persons of concern to UNHCR serves as the basis for the formulation of programme budget estimates.

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

41. The original budget for 2020 approved by the Executive Committee at its seventieth session (October 2019) amounted to \$8,667.7 million. Subsequently, at its seventy-first session (October 2020), the Executive Committee approved the revised budget for 2020 amounting to \$9,131.3 million based on updated requirements. This is a 5.7 per cent increase compared with the \$8,635.9 million reported for 2019 (see figure IV.V). The supplementary budgets established in 2020 pertained to the support of activities to protect refugees and other persons of concern from the impact of the COVID-19 pandemic (\$404 million) and to support the refugee and displacement crisis in the central Sahel region (\$59.7 million).

Figure IV.V
Requirements, 2011–2020

(Millions of United States dollars)



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

43. Table IV.3 shows the breakdown of total requirements, funds available and expenditure by pillar, with the United Nations Regular Budget Fund and the Junior Professional Officers Fund included under pillar 1, in accordance with established practice. The difference between the total requirements (global needs assessment budget) and the funds available represents the unfunded needs of persons of concern to UNHCR. In 2020, unfunded needs amounted to \$3,727.8 million, or 40.8 per cent of total requirements.

Table IV.3
Total requirements, funds available and expenditure, 2020^a

(Millions of United States dollars unless otherwise indicated)

	<i>Pillar 1^b</i>	<i>Pillar 2</i>	<i>Pillar 3</i>	<i>Pillar 4</i>	<i>Total</i>
Total requirements (global needs assessment budget)	7 120.6	78.3	608.2	1 324.2	9 131.3
Funds available	4 401.0	41.3	213.7	747.5	5 403.6
Expenditure	3 883.9	41.3	211.7	700.7	4 837.7
Carry-over	517.1	–	1.9	46.8	565.9
Expenditure on total requirements (percentage)	55	53	35	53	53
Expenditure on funds available (percentage)	88	100	99	94	90

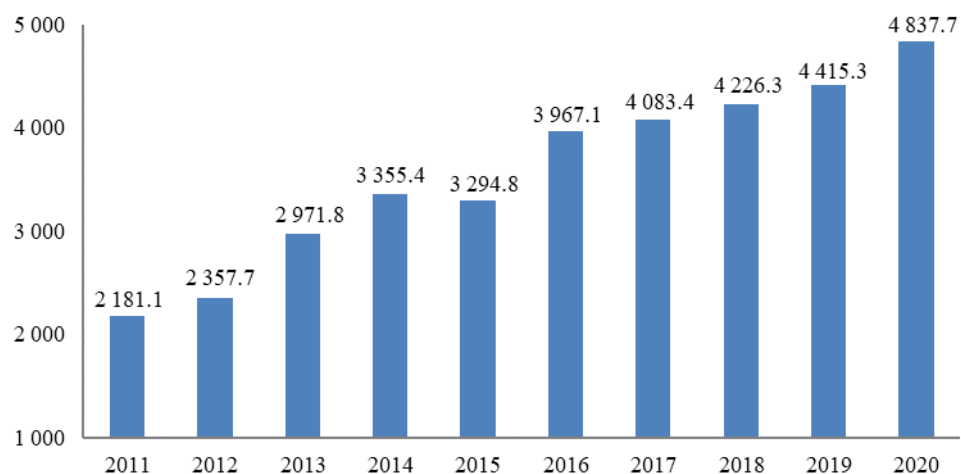
^a Totals in the table may not add up owing to rounding.

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

44. The expenditure amount of \$4,837.7 million in 2020 represents an increase of \$422.4 million, or 9.6 per cent, compared with 2019 expenditure (\$4,415.3 million). Figure IV.VI illustrates annual expenditure over the period from 2011 to 2020.

Figure IV.VI
Expenditure, 2011–2020

(Millions of United States dollars)



45. Table IV.4 shows 2020 expenditure, broken down in terms of programme, programme support, management and administration costs and the Junior Professional Officers Programme, with comparative figures for 2019.

Table IV.4
2020 expenditure by programme, programme support, management and administration and Junior Professional Officers Programme

(Millions of United States dollars)

	2020		2019	
	Amount	Percentage	Amount	Percentage
Programme	3 947.9	81.6	3 541.2	80.2
Programme support	710.7	14.7	701.3	15.9
Management and administration	170.1	3.5	164.0	3.7
Junior Professional Officers Programme	9.0	0.2	8.8	0.2
Total expenditure	4 837.7	100.0	4 415.3	100.0

46. 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 2011 to 2020 in values and percentages, respectively.

Figure IV.VII
Evolution of expenditure, 2011–2020, by cost category

(Millions of United States dollars)

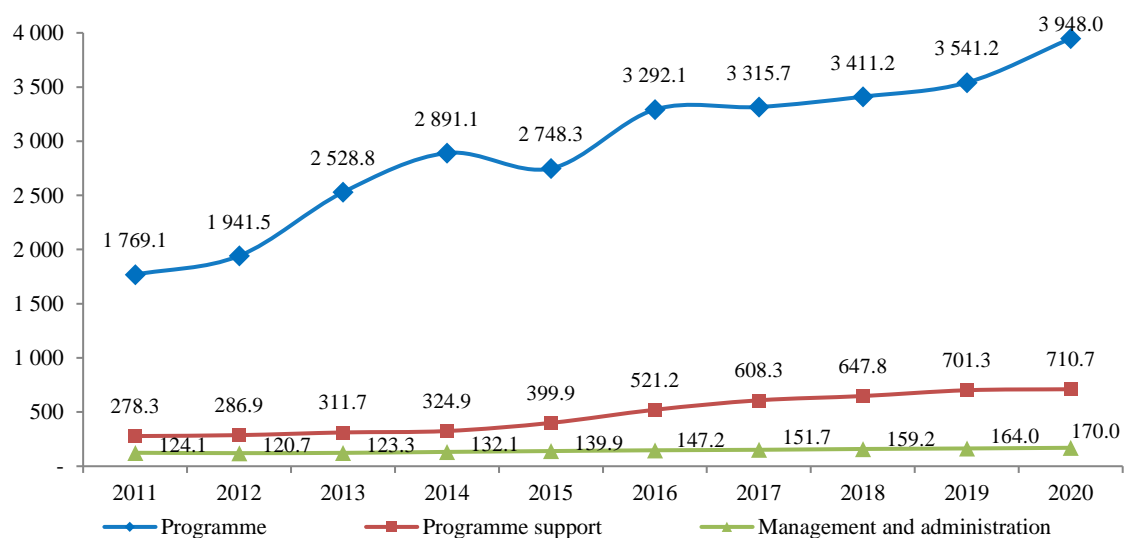
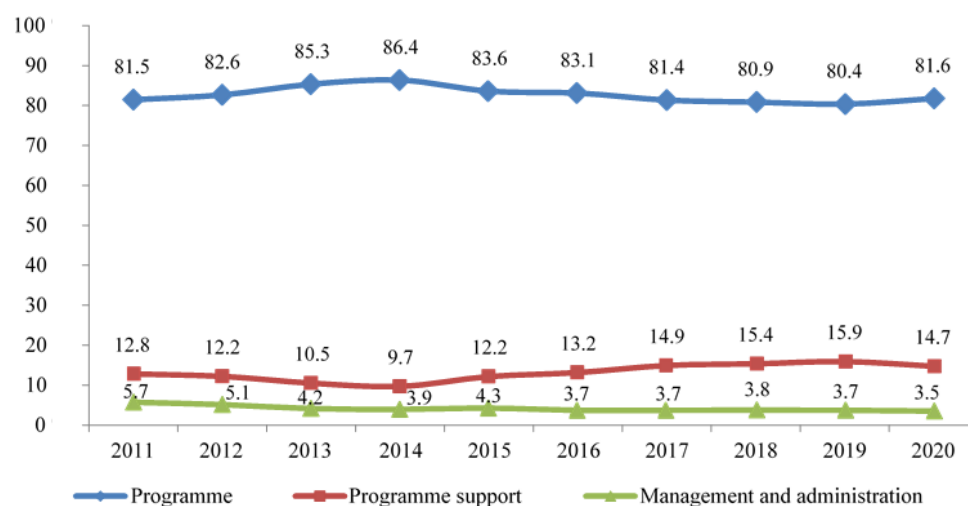


Figure IV.VIII
Evolution of expenditure, 2011–2020, by cost category

(Percentage)



E. Impact of COVID-19 on UNHCR activities and financial situation in 2020

47. In its 2019 financial statements, UNHCR indicated that the extent of the impact of the COVID-19 pandemic on its financial performance could not be reliably measured or assessed, given that the pandemic was just starting to take hold at that time. Such an impact depended on future developments, including the duration and spread of the outbreak, restrictions and advisories and effects on the financial markets and the global economy, all of which were highly uncertain and could not be reliably predicted. The pandemic manifested itself in a variety of ways in the activities of UNHCR during 2020. Its impact on the way that UNHCR conducted its business was profound. Where the impact of the pandemic was evident in the financial results of the organization, that is described in the notes to the financial statements. Some of the most notable aspects are described below.

48. Revenue earmarked by donors for COVID-19-related activities amounted to \$471 million, including, in certain cases, the reprogramming of existing funds towards COVID-19 relief activities, as noted in paragraph 149 of the present report. Other revenue earned in 2020 amounted to \$18.6 million, a significant decrease from \$26.7 million in 2019, attributable mainly to a decrease in the sale of assets owing to restrictions on organizing auctions, as well as to the less frequent use of guest-house accommodations resulting from reduced travel. The economic disruption resulting from the pandemic could adversely affect future UNHCR contributions.

49. Expenses for supplies and consumables for beneficiaries amounted to \$336.3 million, representing an increase of 18.4 per cent compared with 2019 (\$284.0 million), owing in particular to the distribution of medical, hygienic and personal protective equipment during the COVID-19 pandemic.

50. Travel expenses decreased by 60 per cent, from \$72.5 million in 2019 to \$28.6 million in 2020, primarily as a result of travel bans and restrictions causing the cancellation or postponement of duty travel, as well as the impact of the pandemic on assignment- and repatriation-related travel patterns. The ability to host seminars and workshops in 2020 was affected by the COVID-19 pandemic as well, and therefore

the corresponding expenses for this component decreased by 67 per cent, from \$20 million in 2019 to \$6.6 million in 2020.

51. Annual leave costs increased, from \$3.9 million in 2019 to \$33.9 million in 2020, while the corresponding liability increased by 40 per cent, from \$76.6 million to \$110.6 million. This is attributable largely to the impact of staff not taking their planned leave entitlements in 2020 as a result of the pandemic and travel limitations. The 2020 liability balance includes the amount of \$10.4 million for accumulated annual leave days in excess of the usual cap on the number of leave days that can be carried forward. The excess resulted from the temporary lifting of the cap owing to COVID-19-related travel restrictions. See notes 6.2 and 3.8 for full disclosure of expense and liability related to salaries and employee benefits and employee benefits liabilities, respectively.

52. Projects that were under implementation and/or construction were affected both financially and in terms of the expected completion date by physical access restrictions, in particular where the respective country implemented a shutdown of all activities. The impact of the pandemic on these activities cannot be quantified in the scope of financial costs, given that these projects are often multi-year, and it is too early to assess overall impact.

53. The limitations on physical movement that applied in many of the locations where UNHCR operated resulted in a majority of staff and personnel working remotely, in particular administrative staff whose tasks did not require them to have direct physical contact with beneficiaries, colleagues or other counterparts. The sudden change to remote work was facilitated by an accelerated changeover to increased use of mobile office tools. In the long term, the change may result in more personnel making the transition to remote working arrangements.

54. Office space was utilized to a much lesser extent in 2020 than in 2019, with the result that electricity and other location-specific costs were below those of 2019 in many cases. In most cases, rental contracts for buildings were maintained despite the fact that buildings were only partially occupied, given that there was ongoing uncertainty about local lockdown restrictions in the countries in which UNHCR operates and it is expected that staff will eventually return to offices.

55. Staff members and retirees made fewer health-care cost recovery claims in 2020 than was typical in recent years because people made fewer trips to medical facilities and elective procedures were postponed owing to the pandemic. Given that the calculation of after-service health insurance liabilities is affected by current health-care costs, the impact of COVID-19 as a short-term factor was appropriately considered, and the expert views of independent actuaries were reflected in the assumptions applied and underpinning the 2020 liability calculations.

56. Physical access to certain locations to perform physical inventory and asset verification counts was limited in some locations by restrictions imposed by local authorities or for the safety of staff and other counterparts. In such cases, alternative verification methods (for example, physical asset reconciliation reports against bin cards or the use of vehicle tracking devices already installed) were applied, and the restrictions did not affect the numbers presented in the financial statements.

F. Going concern

57. 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 2021, the

management considers that the organization has adequate resources to continue its operations as planned in the medium term. This assertion is based on the approval by the Executive Committee of the revised budget requirements for 2021 and the historical trend of the collection of pledges in recent years. Therefore, UNHCR has adopted the going-concern basis in the preparation of its financial statements.

G. Internal control system

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

59. 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.

60. 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

61. 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. OIOS also provides an annual summary report on its activities and assessments both to the UNHCR Executive Committee and to the General Assembly. In 2020, owing to the COVID-19 pandemic, OIOS repurposed its workplan to focus on areas that would add the most value during this period and issued 17 reports: 11 on field operations, 4 on thematic areas, 1 on information and communications technology (ICT) and 1 that was advisory. The thematic areas covered included: strategic security management and governance; resettlement practices; the management of cash-based intervention in Africa; and the prevention and detection of, and response to, fraud committed by persons of concerns in the context of resettlement activities. The ICT audit covered information technology continuity. The advisory engagement covered personnel costs incurred by UNHCR implementing partners.

Independent audit of projects implemented by partners

62. UNHCR carries out a high percentage of its activities through implementing partners. In 2020, UNHCR continued to collaborate with more than 1,147 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.

63. UNHCR applies a risk-based audit approach in relation to the projects implemented by partners. The methodology of selection of projects is based on a risk assessment of the project and the implementing partner organization. Audit services have been centrally procured, and global, independent and reputable audit service providers have been selected by UNHCR. The Office increased the number of external audit firms with which it has frame agreements from four to eight. The change allowed UNHCR to better mitigate some COVID-19-related challenges in relation to lockdown measures in various countries, given that, by increasing the number of audit firms with a broader geographic footprint, UNHCR increased access to auditors with an established presence in the countries where audits are carried out. The change offered more opportunities for increased competitive selection of audit services, an efficient process of project audit certification and improved opportunities for the high-quality and timely delivery of reports. The quality of audit work delivered as part of this arrangement is monitored and assessed during the year against key performance indicators and mutually agreed terms of reference.

Independent Audit and Oversight Committee

64. 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 2020, the Committee held three sessions, during which it discussed and made observations on the organization's transformative initiatives and the related changes to its accountability framework, acknowledged the completed reorganization of the Inspector General's Office and commented on the organization's oversight architecture as described in the new policy on independent oversight. The Committee also reviewed workplans and reports from internal and external audits, investigations, strategic oversight and evaluation functions. The Committee commented on risk management, financial management and ethics and fraud prevention, and on data challenges related to information systems. The Committee communicated its concluding observations following each session and presented its annual report to the Standing Committee in September 2020.

Inspector General's Office

65. The Inspector General's Office is an independent internal oversight body headed by the Inspector General. Through its work, it supports the effective, efficient and accountable management of UNHCR field operations and headquarters activities, while informing the High Commissioner of challenges, problems and deficiencies in delivering the UNHCR mandate. The Inspector General facilitates coherence among

oversight functions to avoid overlaps in their activities. The Inspector General's Office comprises two services (the Investigation Service and the Strategic Oversight Service). The Investigation Service undertakes investigations into all forms of misconduct and conducts inquiries in response to incidents involving violent attacks on UNHCR personnel, operations or premises where these fatalities, major injuries or large-scale damages result in actual or potential reputational damage or major financial or material losses to UNHCR. The Strategic Oversight Service analyses oversight findings, identifies root causes and recurring systemic issues, brings significant oversight matters to the attention of management and conducts inquiries into matters or other events that could directly impact or pose a serious risk to the organization's responsibilities, reputation, interests or operations. It also administers the memorandum of understanding with OIOS for the provision of internal audit services on behalf of UNHCR, provides the necessary support to facilitate the work of the OIOS-provided UNHCR Audit Service, coordinates matters related to the work of the Joint Inspection Unit of the United Nations system and provides secretariat support to the Independent Audit and Oversight Committee, with a view to enhancing cohesion among oversight functions.

Other tools and mechanisms

66. 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.

67. Following its first launch, in 2019, of a statement of internal control, UNHCR is now issuing the statement for 2020, set out below.

Statement of internal control, 2020

Scope of responsibility

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

Purpose of internal control

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

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

This statement covers the financial reporting period 1 January to 31 December 2020, and up to the date of my approval of the organization's financial statements.

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

With the regionalization and decentralization substantially rolled out in 2020, the new organizational architecture ensures a clearer definition of the roles, accountabilities and authorities of each entity and equips the organization with better-empowered country offices, supported by capacitated regional bureaux and divisions. Within the new architecture, and aligned with an updated enterprise risk management policy launched in 2020, risk management and control activities are being exercised at all levels of the organization according to the roles, authorities and accountabilities largely defined and described below.

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

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

Divisions play an essential role in overseeing the global implementation of risk management and internal controls. Divisions ensure 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 through developing risk-based policies and processes that contribute to maintaining effective controls within their respective functional areas and support capacity development in these areas.

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

UNHCR's operating environment

In delivering on its primary purpose to safeguard the rights and well-being of refugees and other persons of concern, UNHCR operates in an increasingly complex and unpredictable environment, which was particularly marked this year by the COVID-19 pandemic, which affected our operations from March 2020 onward. We needed to adapt and remain flexible, working closely with affected communities and with a wide range of partners while facing a number of risks to achieve our objectives. UNHCR operates in approximately 130 countries in some very challenging environments and is therefore exposed to situations with a high level of inherent risk. In addition to various restrictions imposed by the pandemic across the world, examples may also include a weak security environment for our personnel and poor access to technology, all of which may impact the ability to maintain high standards of internal control.

Risk management framework

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

UNHCR has made steady progress in building a stronger risk management culture across the organization. This was demonstrated during the COVID-19 pandemic: developing a COVID-19 risk register at the outset of the crisis and having risk management embedded in our response helped us tackle the immediate health threats and protection risks – amplified by the crisis – while enabling us to also address the longer-term risks.

UNHCR continues to invest in further strengthening its risk management culture. The organization has been developing a five-year strategy for risk

management with the aim of bringing UNHCR's risk maturity from an established level to an advanced level.

Key findings of risk reviews in 2020

A total of 17 strategic risks are captured in the Strategic Risk Register. Two new risks were added to the Register, namely risks linked to: (a) climate change; and (b) preparedness for and response to global disruptions (such as a global pandemic).

Risks related to UNHCR's core protection activities continued to remain a major risk area in 2020. While these risks are not new to UNHCR, they have been clearly exacerbated by COVID-19. The pandemic also had a prominent effect on our duty of care for UNHCR's personnel. Staying and delivering in often very remote duty stations with limited local health-care facilities has meant instituting sustained and well-planned risk mitigation measures by UNHCR, often jointly with the broader United Nations. Addressing these risks has been a priority for UNHCR throughout 2020 at all three levels of the organization.

Special attention has been paid throughout 2020 to prevention of fraud, diversion of aid and other integrity risks due to altered business processes and reduced presence and access. To prevent these risks from materializing, remote monitoring practices were enhanced and additional guidance on internal controls and high-risk areas issued, coupled with strengthened monitoring of high-risk processes, leveraging the presence and role of newly established regional bureaux. Their proximity to the field was instrumental in understanding the challenges operations were facing during the pandemic.

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

Review of the effectiveness of internal control

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

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

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

(b) The reports issued by OIOS following the audits conducted under the 2020 audit workplan. These provided me with objective information on compliance and control effectiveness in managing risks in UNHCR operations and activities, together with recommendations for improvement. All audit reports are made public on the OIOS website;¹

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

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

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

(e) The work of UNHCR's Independent Audit and Oversight Committee, which reviews audit reports, risk reports and financial reports and communicates its concluding observations to me following each session and presents its annual report to the Standing Committee in its yearly fall session.

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

(a) Timeliness and efficiency of procurement planning and vendor data management;

(b) Efficiency of processes for administration of travel and monitoring fuel consumption;

(c) Consistency of programme monitoring, including through a multifunctional team approach or remote monitoring;

(d) Capacity and performance monitoring of partners entrusted with procurement or with managing UNHCR's inventory;

(e) Maintaining and regularly updating by country offices of the standard operating procedures related to implementation of cash-based intervention programmes;

(f) Systematic backup and restoration procedures for locally maintained ICT systems and applications.

I am committed to ensuring continuous improvement of the internal controls in the areas identified above. The recurrent internal control matters have been presented to the senior management and the relevant risk owners to ensure that appropriate measures to address them are implemented at various organizational levels. Examples of such measures that UNHCR is pursuing are outlined below.

(a) Reminding all functions involved in procurement planning in the country operations and regional bureaux of the importance of comprehensive procurement planning and its periodic updating, facilitating this through the introduction of standard templates and clearer assignment of responsibilities for procurement planning across functions and geographies;

(b) Continuing the efforts to clean up the vendor database and streamlining procedures for vendor registration while also pursuing the delivery of targeted training programmes for staff assigned roles related to vendor entry, certifying and approval;

(c) Aiming to increase automation of travel-related processes and to strengthen procedures for monitoring fuel consumption through the use of specific applications;

(d) Improving programme monitoring through UNHCR's renewed approach to implementing results-based management, which strengthens the multifunctional team approach and roll-out of COMPASS – UNHCR's new tool for planning, managing and showing concrete results and positive changes in the lives of persons of concern;

(e) Improving the techniques and practices for monitoring and verifying the management of inventory administered by partners through a revision of the project control function and enhanced forms of remote monitoring;

(f) Reinforcing the requirements for country operations when delivering cash-based intervention programmes to have in place robust standard operating procedures that reflect the most recent and contextual operational needs. Operations are requested to closely adhere to these procedures for performing reconciliations and monitoring of the refunds received from various financial service providers, together with accurate, timely and complete financial recording;

(g) Continuing to improve the documentation of minimum information technology recovery procedures applicable at the local level for inclusion in business continuity plans of country offices and to further explore the most efficient and effective solutions for securely storing the backed-up data for the field offices.

Furthermore, with UNHCR engaging in a business transformation programme and adoption of new cloud-based enterprise resource planning systems, there are strong opportunities to address some of the matters emphasized above through redesigning processes and embedding systematic controls in the new systems. For example, the procurement planning process all the way through execution of purchasing is currently being assessed vis-à-vis the best practices offered in the new enterprise resource planning system. Matters related to vendor master data cleansing and management mentioned above will be made the top priority for data migration activities in the data preparation plan of the new enterprise resource planning system. Solutions are being researched that will allow us to better capture the documentation relating to partnerships, facilitating quality control and assurance, as well as improving the visibility of partner activity.

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

Statement

Internal controls, while operating effectively, have inherent limitations, including the possibility of circumvention, no matter how well designed, and therefore can provide only reasonable assurance. Furthermore, because of changes of conditions, the effectiveness of internal controls may vary over time. I am committed to addressing any internal control matters noted during the year by management and personnel of UNHCR or brought to my attention by the oversight mechanisms.

Based on the above, I conclude that, to the best of my knowledge and information, UNHCR has an effective system of internal control and there were no material weaknesses to report for the year 2020 and up to the date of the approval of the organization's financial statements.

(Signed) Filippo Grandi
United Nations High Commissioner for Refugees

31 March 2021

Chapter V

Financial statements for the year ended 31 December 2020

United Nations High Commissioner for Refugees

I. Statement of financial position as at 31 December 2020

(Thousands of United States dollars)

	<i>Reference</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Assets			
Current assets			
Cash and cash equivalents	Note 3.1	1 125 255	983 466
Investments	Note 3.1	534 000	330 000
Contributions receivable	Note 3.2	1 241 484	1 092 699
Inventories	Note 3.3	260 415	183 699
Other current assets	Note 3.4	269 892	238 013
Total current assets		3 431 046	2 827 876
Non-current assets			
Contributions receivable	Note 3.2	321 471	319 566
Property, plant and equipment	Note 3.5	213 621	193 429
Intangible assets	Note 3.6	38 120	35 015
Total non-current assets		573 211	548 010
Total assets		4 004 257	3 375 886
Liabilities			
Current liabilities			
Accounts payable and accruals	Note 3.7	220 488	235 572
Employee benefits	Note 3.8	148 467	108 758
Provisions	Note 3.10	5 486	5 328
Other current liabilities	Note 3.9	8 153	9 122
Total current liabilities		382 594	358 780
Non-current liabilities			
Employee benefits	Note 3.8	1 141 720	910 276
Provisions	Note 3.10	94	–
Total non-current liabilities		1 141 813	910 276
Total liabilities		1 524 408	1 269 056
Net assets		2 479 849	2 106 830
Fund balances and reserves			
Accumulated fund balances and reserves	Note 3.11	3 082 073	2 564 444
Working Capital and Guarantee Fund	Note 3.12	100 000	100 000
Medical Insurance Plan	Note 3.13	53 929	46 538
Staff Benefits Fund	Note 3.14	(756 153)	(604 152)
Total fund balances and reserves		2 479 849	2 106 830

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

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

United Nations High Commissioner for Refugees

II. Statement of financial performance for the year ended 31 December 2020

(Thousands of United States dollars)

	<i>Reference</i>	<i>2020</i>	<i>2019</i>
Revenue			
Voluntary contributions	Note 5.1	4 827 773	4 093 811
United Nations regular budget		40 093	43 298
Interest revenue		5 165	19 314
Other revenue	Note 5.2	18 618	26 714
Total revenue		4 891 649	4 183 137
Expenses			
Implementing partnership expenses	Note 6.1	1 392 215	1 344 969
Salaries and employee benefits	Note 6.2	1 167 879	1 124 219
Cash assistance to beneficiaries	Note 6.3	607 652	569 659
Contractual services	Note 6.4	484 685	458 457
Supplies and consumables for beneficiaries	Note 6.5	336 324	284 034
Operating expense	Note 6.6	258 693	243 404
Equipment and supplies	Note 6.7	92 178	90 805
Travel expense		28 650	72 529
Depreciation and amortization	Note 6.8	44 105	40 133
Other expenses	Note 6.9	20 074	30 054
Total expenses		4 432 455	4 258 262
Foreign exchange (gains)/losses	Note 6.10	(95 237)	9
Surplus/(deficit) for the year		554 430	(75 134)

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 2020

(Thousands of United States dollars)

	<i>Reference</i>	<i>Accumulated fund balances and reserves</i>	<i>Working Capital and Guarantee Fund</i>	<i>Staff Benefits Fund</i>	<i>Medical Insurance Plan</i>	<i>Total</i>
Net assets at 1 January 2019		2 744 365	100 000	(566 999)	41 759	2 319 125
Movements in fund balances and reserves in 2019						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	6 913	7 437	(94 263)	4 779	(75 134)
Loss on actuarial valuations of post-employment benefits	Note 3.8	–	–	(137 161)	–	(137 161)
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14	(186 834)	(7 437)	194 272	–	–
Total movements during 2019		(179 922)	–	(37 152)	4 779	(212 295)
Total net assets at 31 December 2019		2 564 444	100 000	(604 152)	46 538	2 106 830
Movements in fund balances and reserves in 2020						
Surplus/(deficit) for the period	Notes 3.11, 3.12, 3.13, 3.14	533 891	92 220	(79 073)	7 392	554 430
Loss on actuarial valuations of post-employment benefits	Note 3.8	–	–	(181 411)	–	(181 411)
Transfers	Notes 3.8, 3.11, 3.12, 3.13, 3.14	(16 262)	(92 220)	108 483	–	–
Total movements during 2020		517 629	–	(152 001)	7 392	373 019
Total net assets at 31 December 2020		3 082 073	100 000	(756 153)	53 929	2 479 849

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 2020

(Thousands of United States dollars)

	<i>Reference</i>	<i>2020</i>	<i>2019</i>
Cash flows from operating activities:			
Surplus/(deficit) for the period		554 430	(75 134)
Depreciation and amortization	Notes 3.5, 3.6	44 105	40 133
(Increase)/decrease in contributions receivable	Note 3.2	(150 690)	45 058
(Increase)/decrease in inventories	Note 3.3	(76 716)	41 802
(Increase)/decrease in other assets	Note 3.4	(31 879)	(33 568)
Increase/(decrease) in accounts payable and accruals	Note 3.7	(15 084)	35 169
Increase/(decrease) in employee benefits liabilities, net of actuarial gain/loss		89 742	105 198
Increase/(decrease) in provisions	Note 3.10	252	686
Increase/(decrease) in other liabilities	Note 3.9	(969)	5 299
(Gain)/loss on disposal of property, plant and equipment, and intangibles		41	(8 302)
Revenue from in-kind contributions of intangibles		–	(1 116)
Revenue from in-kind contributions of property, plant and equipment		(123)	–
Net cash flows from operating activities		413 109	155 224
Cash flows from investing activities:			
Purchase of property, plant and equipment	Note 3.5	(64 839)	(63 557)
Purchase of intangible assets	Note 3.6	(10 536)	(10 215)
Proceeds from sale of assets		8 059	16 957
Purchase of short-term investments		(1 119 000)	(935 000)
Maturities and sale of short-term investments		915 000	855 000
Net cash flows from investing activities		(271 316)	(136 814)
Cash flows from financing activities:			
Net cash flows from financing activities		–	–
Net increase/(decrease) in cash and cash equivalents		141 792	18 410
Cash and cash equivalents at beginning of the year		983 466	965 055
Cash and cash equivalents at end of the year		1 125 255	983 466

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 2020^a

(Thousands of United States dollars)

	Reference	Global needs assessment budget		Actual on comparable basis	Variances: final budget and actual amounts
		Original ^b	Final ^c		
Field operations					
West and Central Africa		555 704	665 007	442 450	222 557
East Africa, Horn of Africa and Great Lakes Region		1 797 117	1 901 838	863 304	1 038 534
Southern Africa		301 236	324 712	199 493	125 219
Middle East and North Africa		2 604 888	2 813 365	1 352 887	1 460 478
Asia and the Pacific		777 087	808 249	442 940	365 308
Europe		806 705	831 669	509 121	322 548
Americas		468 032	611 838	320 830	291 008
Total field operations		7 310 767	7 956 679	4 131 026	3 825 653
Global programmes		490 356	552 990	486 250	66 740
Headquarters		210 532	211 724	211 407	317
Operational reserve and new or additional activities – mandate-related reserve		644 026	397 956	–	397 956
Junior Professional Officers Fund		12 000	12 000	8 983	3 017
Total	Note 7	8 667 681	9 131 348	4 837 666	4 293 683

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

^b The original budget for 2020 of \$8,667.7 million was approved by the Executive Committee of the Programme of the High Commissioner at its seventieth session (7–11 October 2019), as contained in [A/74/12/Add.1](#), paragraph 13.

^c At its seventy-first session (5–9 October 2020), the Executive Committee approved the revised budget for 2020 of \$9,131.3 million on the basis of updated requirements (see [A/75/12/Add.1](#), para. 12). As there were no further changes, the final budget figure represents the sum of the approved original budget of \$8,667.7 million and the final supplementary budgets of \$463.7 million established by the High Commissioner in 2020 in accordance with article 7.5 of the UNHCR financial rules.

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

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

United Nations High Commissioner for Refugees
Notes to the financial statements

Note 1

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

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

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

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

4. The High Commissioner reports annually to the General Assembly through the Economic and Social Council. The Executive Committee of the Programme of the High Commissioner was established pursuant to Assembly resolution 1166 (XII) to provide advice to the High Commissioner in the exercise of his or her functions and to approve the use of voluntary funds made available to the High Commissioner. The annual cycle of meetings of the Executive Committee consists of one plenary session and several intersessional meetings of its subsidiary body, the Standing Committee. As at 31 December 2020, 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, its Information and Communications Technology Service Centre in Amman and liaison offices in New York and Brussels. As at 31 December 2020, UNHCR had a presence in 132 countries and/or territories, where its core work was managed from a series of regional offices, branch offices, sub-offices and field offices in the following five regions: Africa; the Americas; Asia and the Pacific; Europe; and the Middle East and North Africa. Global programmes are managed by a number of divisions at headquarters.

Note 2

Accounting policies

Basis of preparation

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

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

Transactions and balances

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

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

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

Statement of cash flow

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

Restatements and reclassifications

12. As explained in paragraphs 62 to 66 below, UNHCR introduced revised geographic reporting segments in 2020 because management determined that this segmentation best reflects the current performance measurement and resource allocation frameworks currently in operation. Segment information for 2019 is also presented in note 8 on the basis of geographic segments.

13. The presentation of implementing partnership expenses in note 6.1 was modified in 2020 because analysis by geographic region is considered to provide a more useful perspective than the previous presentation format and is consistent with the new geographic segment reporting. The split by type of partner is unchanged.

14. Cash assistance is presented in statement II without supplementary disclosures of subcategories in note 6.3 because the previously presented details no longer provided useful information.

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 that 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 of the financial assets of UNHCR are currently classified as receivables. The classification is subject to annual review.

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 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 receiving location in the final destination country.

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

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

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	6
Equipment, including generators, telecommunications, security and safety, storage, computers and office furniture and fittings	5
Workshop equipment	3

40. 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. No useful life revisions to major asset categories were necessary in 2020.

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. The development cost of cloud-based software as a service is expensed as incurred when the solutions implemented do not meet the criteria to be considered controlled assets.

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

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

Liabilities

Financial liabilities

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

Accounts payable and accruals

47. 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.

48. 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

49. 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

50. 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

51. 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

52. 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.

53. 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

54. 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.

55. 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

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

Provisions and contingencies

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

58. 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

59. 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.

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

61. 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

62. 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.

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

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

65. A formal reorganization of UNHCR operations was initiated in 2019 and was in place for the full year 2020. 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 has been reorganized into the seven regions plus headquarters and global programmes for the purpose of evaluating performance in achieving UNHCR objectives and in making decisions about the future allocation of resources.

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

New accounting standards

67. IPSAS 40: Public sector combinations was issued in 2017 with an effective date of 1 January 2019 and is not expected to be applicable to UNHCR in the foreseeable future.

68. 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.

69. IPSAS 42: Social benefits was issued in 2019, 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. IPSAS 42 is not expected to be applicable to UNHCR in the foreseeable future.

70. 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. However, the impact of those improvements that will become effective with the adoption of IPSAS 41 is currently being assessed. In February 2020, the IPSAS Board issued a suite of three exposure drafts for comment: 70: Revenue with performance obligations; 71: Revenue without performance obligations; and 72: Transfer expenses. Exposure draft 70 is expected to replace IPSAS 9: Revenue from exchange transactions. Exposure draft 71 would replace IPSAS 23: Revenue from non-exchange transactions (taxes and transfers). Exposure draft 72 is a draft of a new standard. The impact of exposure drafts 70 and 72 is currently being assessed. However, assuming these exposure drafts result in the issuance of new IPSAS standards that are substantially equivalent in scope and content to the relevant exposure drafts, the impact of exposure draft 71 on UNHCR accounting for earmarked voluntary contributions is likely to be significant. Under the current IPSAS 23, UNHCR recognizes substantially all voluntary contributions revenue upon signature of the relevant contribution agreement. Under a new standard based on exposure draft 71, UNHCR will be required to record revenue when (or as) any identified present obligations under earmarked contributions are satisfied. The change in revenue recognition approach would likely result in a delay in the timing of recognition for a substantial share of annual revenue from the year of signature of the contribution agreement to the subsequent year(s) for which the funds are actually intended. The suite of three exposure drafts is expected to be converted to published IPSAS standards before the end of 2021. New standards resulting from these exposure drafts are not expected to be mandatory before 2023.

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 2020</i>	<i>31 December 2019</i>
Cash and cash equivalents		
Headquarters	443 984	114 237
Field offices	211 271	169 228
Short-term deposits	470 000	700 000
Total cash and cash equivalents	1 125 255	983 466

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

72. Table 3.1.2 shows the purposes for which cash and cash equivalents and short-term investments were held.

Table 3.1.2
Earmarking of cash and cash equivalents and short-term investments

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Cash and cash equivalents		
Operational	981 602	753 463
Junior Professional Officers Fund	10 590	16 993
Operational cash and cash equivalents	992 193	770 455
Staff Benefits Fund	33 247	115 452
Working Capital and Guarantee Fund	99 814	97 558
Non-operational cash and cash equivalents	133 062	213 010
Total cash and cash equivalents	1 125 255	983 466
Short-term investments		
Staff Benefits Fund	480 068	283 462
Medical Insurance Plan	53 932	46 538
Total short-term investments	534 000	330 000
Of which:		
Operational	992 193	770 455
Non-operational	667 062	543 010
Total cash and cash equivalents and short-term investments	1 659 255	1 313 466

73. Investments pertain to the Staff Benefits Fund and the Medical Insurance Plan. The investments are placed in money markets with maturities ranging between 3 and 12 months.

3.2 Contributions receivable

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

Table 3.2.1

Analysis of net contributions receivable by donor class

(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Current contributions receivable		
Governments	805 997	778 634
United Nations system organizations and funds	15 763	51 978
Other intergovernmental organizations	348 470	202 782
Private donors	82 329	66 722
Current contributions receivable before allowance	1 252 559	1 100 116
Allowance for doubtful accounts	(11 075)	(7 417)
Total current contributions receivable	1 241 484	1 092 699
Non-current contributions receivable		
Governments	212 054	294 025
United Nations system organizations and funds	3 408	8 545
Other intergovernmental organizations	100 313	13 371
Private donors	5 696	3 625
Total non-current contributions receivable	321 471	319 566
Net contributions receivable	1 562 955	1 412 265

Table 3.2.2

Summary of contributions receivable by year due

(Thousands of United States dollars)

<i>Year due</i>	<i>31 December 2020</i>	<i>Percentage</i>	<i>Year due</i>	<i>31 December 2019</i>	<i>Percentage</i>
2019 and before	4 662	0.3	2018 and before	–	–
2020	129 715	8.3	2019	160 964	11.4
2021	1 107 107	70.8	2020	931 735	66.0
Total current contributions receivable	1 241 484	79.4	Total current contributions receivable	1 092 699	77.4
2022	262 521	16.8	2021	245 802	17.4
2023	41 941	2.7	2022	70 087	5.0
2024	16 569	1.1	2023	3 677	0.2
2025	440	–	2024	–	–
Total non-current contributions receivable	321 471	20.6	Total non-current contributions receivable	319 566	22.6
Total contributions receivable	1 562 955	100.0	Total contributions receivable	1 412 265	100.0

75. The movement of the allowance for doubtful accounts during 2020 was as follows:

Table 3.2.3
Change in allowance for doubtful accounts

(Thousands of United States dollars)

	31 December 2019	Write-offs	Increase	(Decrease)	31 December 2020
Allowance for doubtful accounts	7 417	(3 772)	9 839	(2 409)	11 075

76. 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)

<i>Contributions receivable</i>	<i>Gross nominal amount</i>	<i>Allowances (impairment)</i>	<i>Net nominal amount</i>
Not overdue as at 31 December 2020	1 433 002	(4 420)	1 428 582
Less than 12 months overdue	133 805	(4 094)	129 711
More than 12 months overdue	7 223	(2 561)	4 662
Total	1 574 030	(11 075)	1 562 955

3.3 Inventories

77. UNHCR holds inventory items to be distributed to its beneficiaries in 178 warehouses (166 warehouses in 2019) worldwide and 9 global central warehouses. These are in Accra, Amman, Copenhagen, Douala (Cameroon), Dubai (United Arab Emirates) (two locations), Kampala, Nairobi and Panama City. During 2020, the value of inventory items distributed totalled \$269.8 million (\$238.2 million in 2019) and is recorded as an expense in the statement of financial performance (see note 6.5).

78. 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 2020</i>	<i>31 December 2019</i>
Bedding materials	59 785	58 047
Tents	50 201	36 888
Household items	51 029	49 986
Construction materials and related equipment	28 414	24 698
Medical and hygienic supplies and apparel	75 775	17 961
Food and other supplies	2 220	1 999
Material consumables	397	269
Subtotal	267 819	189 848
<i>Less: inventory valuation allowance</i>	<i>(7 404)</i>	<i>(6 149)</i>
Total inventory	260 415	183 699

Table 3.3.2
Movement in inventory

(Thousands of United States dollars)

<i>Inventory reconciliation</i>	<i>2020</i>	<i>2019</i>
Opening inventory as at 1 January	183 699	225 501
Cost of goods acquired ^a	338 364	199 597
Cost of goods distributed	(269 840)	(238 163)
Other adjustments	9 447	(2 220)
Change in inventory valuation allowance	(1 255)	(1 016)
Closing inventory as at 31 December	260 415	183 699

^a Including in-kind contributions.

79. Inventory quantities derived from the UNHCR inventory tracking system are validated by physical stock counts and adjusted as necessary.

Table 3.3.3
Change in inventory valuation allowance

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>Increase/(decrease)</i>	<i>31 December 2020</i>
Inventory valuation allowance	6 149	1 255	7 404

80. The inventory valuation allowance as at 31 December 2020 reflects value adjustments for inventory items beyond their shelf lives (\$2.9 million), overdue from suppliers (\$3.2 million) and in transit between warehouses for extended periods (\$1.3 million).

81. At year-end, UNHCR held inventory items with a total value of \$260.4 million net of valuation allowances. This is equivalent to approximately nine months' distribution made in 2020 (approximately eight months in 2019).

3.4 Other current assets

Table 3.4

Summary of other current assets

(Thousands of United States dollars)

	31 December 2020	31 December 2019 (reclassified)
Prepayments	172 845	149 387
Implementing partner receivables	58 341	54 470
Value added tax receivables	35 338	28 014
Staff advances	15 266	13 742
Deposits with suppliers	7 896	3 649
Other assets	7 407	8 439
Subtotal	297 093	257 701
<i>Less: allowance for other current assets</i>	<i>(27 201)</i>	<i>(19 688)</i>
Total other current assets	269 892	238 013

82. 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 \$110.3 million (2019: \$85.4 million) include \$44.7 million for 113 projects where the delivery of services is extended into 2021 (2019: \$22.8 million for 61 extended projects) and \$65.6 million of first instalments for 131 projects due for implementation in 2021 (2019: \$62.6 million against 167 new projects). The increase in the number and value of extended projects is attributable primarily to the COVID-19 pandemic. 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 \$25.5 million. Other prepayments relate largely to commercial vendors.

83. 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 \$182.1 million (2019: \$167.4 million) is still pending (see note 6.1). Based on past experience, the pending reports are expected to confirm implementing partner expenses in 2020 of approximately \$161.8 million (2019: \$148.7 million). The remaining \$20.3 million of pending reports (2019: \$18.6 million) are expected refunds due to ineligibility and underspending and thus represent estimated implementing partner receivables. The remaining receivables of \$38.0 million (2019: \$35.9 million) represent confirmed refunds due from implementing partners for ineligible and underspent implementing partner funding of \$14.3 million (2019: \$10.5 million) and estimated refunds of \$23.7 million (2019: \$25.4 million). Thus, a total of \$44.0 million (2019: \$44.0 million) is the portion of implementing partner receivables that represents estimates rather than confirmed balances.

84. Staff advances consist primarily of education grants, rental subsidies, travel, medical expenses, salary and other staff entitlements. Comparative balances reported in 2019 include \$9.6 million of staff advances for education grants that were previously classified as prepayments.

85. 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

86. The main asset classes for property, plant and equipment comprise land and buildings, major alterations and improvements to properties, motor vehicles, generators and computers and telecommunications equipment.

Table 3.5.1
Property, plant and equipment, 2020

(Thousands of United States dollars)

	<i>Land and buildings</i>	<i>Major alterations and improvements</i>	<i>Motor vehicles</i>	<i>Generators</i>	<i>Computer and telecommunications equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost/valuation							
Opening balance at 1 January 2020	8 647	7 604	309 515	38 242	20 660	15 627	400 295
Additions – purchased	–	6 373	44 421	3 902	1 169	8 974	64 839
Additions – contributions in kind	–	–	–	–	123	–	123
Disposals	–	(1 144)	(33 748)	(1 427)	(2 778)	(469)	(39 566)
Closing balance at 31 December 2020	8 647	12 833	320 189	40 717	19 174	24 132	425 692
Accumulated depreciation							
Opening balance at 1 January 2020	(3 909)	(5 550)	(143 859)	(26 660)	(16 772)	(10 117)	(206 866)
Disposals	–	1 144	26 571	894	2 721	136	31 466
Depreciation charge for the year	(405)	(523)	(25 835)	(4 339)	(1 300)	(4 269)	(36 671)
Closing balance at 31 December 2020	(4 313)	(4 929)	(143 123)	(30 105)	(15 351)	(14 249)	(212 071)
Net book value							
Opening balance at 1 January 2020	4 738	2 054	165 656	11 582	3 888	5 510	193 429
Closing balance at 31 December 2020	4 333	7 904	177 066	10 612	3 823	9 883	213 621

Table 3.5.2
Property, plant and equipment, 2019

(Thousands of United States dollars)

	<i>Land and buildings</i>	<i>Major alterations and improvements</i>	<i>Motor vehicles</i>	<i>Generators</i>	<i>Computer and telecommunications equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost/valuation							
Opening balance at 1 January 2019	8 647	5 951	299 328	37 343	20 078	14 199	385 546
Additions – purchased	–	1 653	51 892	4 703	2 374	2 935	63 557
Additions – contributions in kind	–	–	–	–	–	–	–
Disposals	–	–	(41 705)	(3 804)	(1 793)	(1 507)	(48 808)
Closing balance at 31 December 2019	8 647	7 604	309 515	38 242	20 660	15 627	400 295
Accumulated depreciation							
Opening balance at 1 January 2019	(3 504)	(5 165)	(155 132)	(24 466)	(16 273)	(9 377)	(213 918)
Disposals	–	–	36 010	2 127	1 105	910	40 152
Depreciation charge for the year	(405)	(384)	(24 737)	(4 321)	(1 604)	(1 649)	(33 101)
Closing balance at 31 December 2019	(3 909)	(5 550)	(143 859)	(26 660)	(16 772)	(10 117)	(206 866)
Net book value							
Opening balance at 1 January 2019	5 143	785	144 196	12 878	3 805	4 821	171 628
Closing balance at 31 December 2019	4 738	2 054	165 656	11 582	3 888	5 510	193 429

3.6 Intangible assets

Table 3.6.1
Movements in intangible assets, 2020

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2020</i>
Cost			
Opening balance 1 January 2020	8 947	42 109	51 056
Additions – purchased	11 803	–	11 803
Disposals	(1 267)	(938)	(2 205)
Transfers into service	(18 859)	18 859	–
Closing balance 31 December 2020	624	60 030	60 654
Accumulated amortization			
Opening balance 1 January 2020	–	(16 041)	(16 041)
Disposals	–	938	938
Amortization charge for the year	–	(7 431)	(7 431)
Closing balance 31 December 2020	–	(22 534)	(22 534)
Net book value			
Opening balance 1 January 2020	8 947	26 068	35 015
Closing balance 31 December 2020	624	37 496	38 120

Table 3.6.2
Movements in intangible assets, 2019

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2019</i>
Cost			
Opening balance 1 January 2019	5 145	34 581	39 725
Additions – purchased	10 215	–	10 215
Additions – contributions in kind	–	1 116	1 116
Transfers into service	(6 412)	6 412	–
Closing balance 31 December 2019	8 947	42 109	51 056
Accumulated amortization			
Opening balance 1 January 2019	–	(9 008)	(9 008)
Amortization charge for the year	–	(7 032)	(7 032)
Closing balance 31 December 2019	–	(16 041)	(16 041)
Net book value			
Opening balance 1 January 2019	5 145	25 572	30 717
Closing balance 31 December 2019	8 947	26 068	35 015

87. Intangible assets under development as at 31 December 2020 represents individual ongoing capitalizable software development projects. The ongoing software development projects relate to an electronic submission tool for procurement and to a CashAssist component for UNICEF.

88. 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 2020, a total of \$18.9 million was transferred into service and capitalized for internally developed software projects completed during the year. These are: the Population Registration and Identity Management EcoSystem (PRIMES) functionalities, the business intelligence platform and the integrity and assurance module of the UN Partner Portal.

3.7 Accounts payable and accruals

Table 3.7

Analysis of accounts payable and accruals

(Thousands of United States dollars)

	31 December 2020	31 December 2019 (reclassified)
Accounts payable		
Commercial and other suppliers	69 487	67 588
Implementing partners	44 803	63 619
United Nations entities	4 296	5 807
Total accounts payable	118 586	137 014
Accruals	101 902	98 558
Total accounts payable and accruals	220 488	235 572

89. Accounts payable to commercial and other suppliers relate primarily to amounts due for goods and services for which invoices have been received.

90. Accounts payable to implementing partners represent payments due against agreements with those partners for delivered services.

91. Accounts payable to United Nations entities are presented separately, having been previously included under commercial and other suppliers. The amounts reported for 2019 have been reclassified accordingly.

92. Substantially all accruals represent liabilities for the cost of goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

3.8 Employee benefits liabilities

Table 3.8.1

Analysis of employee benefits liabilities

(Thousands of United States dollars)

	2020	2019
Employee benefits liabilities		
After-service health insurance	1 021 858	798 877
Repatriation benefits	134 810	125 739
Annual leave	110 551	76 640
Salaries and other staff benefits	20 718	15 968
Other separation benefits	2 250	1 810
Total employee benefits liabilities	1 290 187	1 019 034
Composition		
Current	148 467	108 758
Non-current	1 141 720	910 276
Total employee benefits liabilities	1 290 187	1 019 034

93. After-service health insurance is available in the form of continued membership in the United Nations Staff Mutual Insurance Society, an insurance scheme managed by the United Nations Office at Geneva, or through the Medical Insurance Plan for locally recruited staff members and retirees who served at designated duty stations away from Headquarters and their eligible dependants.

94. Annual leave liabilities are calculated for the unused annual leave balance. Separating staff are entitled to be paid for unused annual leave, 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. At year-end 2020, the cap on annual leave balances eligible to be carried forward was temporarily lifted owing to COVID-19-related restrictions. The unconsumed annual leave liability increased by \$33.9 million, largely attributable to COVID-19-related travel restrictions during the year, of which \$10.4 million relates to the lifting of the cap. The cap is expected to be reimposed when travel restrictions are eased, at which time any remaining liability for balances above the reimposed threshold will be extinguished.

95. Salaries and other staff benefits include short-term employee benefits such as salary and wage increments arising from the revision of salary scales, home leave, education grants and other benefits. The liability for home leave (\$8.9 million) at the end of 2020 includes \$0.5 million resulting from the temporary lifting of a limit on the balance of unconsumed entitlements that may be carried forward. The cap is expected to be reimposed when travel restrictions are eased, at which time any remaining liability for balances above the reimposed threshold will be extinguished.

Actuarial valuation of post-employment liabilities

96. Liabilities related to after-service health insurance and repatriation benefits are calculated by an independent actuary. Actuarial assumptions are summarized as follows:

Assumptions used in valuation of after-service health insurance obligations

Discount rate	1.31% (2019: 1.79%) – Projected after-service health insurance cash outflows are discounted at spot rates for high-quality corporate bonds payable in each major currency appropriate for that maturity. The rate disclosed represents a weighted average of discount rates of three major currencies: the United States dollar, the euro and the Swiss franc. The underlying reference discount rates are consistent with those recommended by experts and agreed for use by entities within the United Nations system.
Health-care cost inflation	1.45% (2019: 1.70%) – Weighted average of health-care cost trend rates estimated for United States dollar, euro and Swiss franc claims reimbursement. The underlying currency-specific inflation rate assumptions are consistent with those recommended by experts and agreed for use by entities within the United Nations system.
Health-care cost age factor at age 65	\$4,641 (2019: \$3,852) – The age factor at age 65 indicates the relative cost of health care for an average UNHCR retiree compared with each \$1,000 of cost for a typical staff member in active service. Age factors applied for each age cohort are determined by levels of care consumed and cost differences experienced between the location and the period of active service and of retirement. The majority of after-service health insurance claim costs are expected to be incurred in Europe, primarily in Swiss francs and euros. The increase in the age factor at age 65 in 2020 is largely the result of an increase in the share of after-service health costs expected to be incurred in Swiss francs and related currency exchange rate movements. The combination of health-care cost inflation assumptions and UNHCR-specific age factors lead to after-service health insurance liabilities that are appropriate to the characteristics of the relevant UNHCR population and to patterns of retirees' health-care claims.
Impact of COVID-19 on health-care cost age factors	Average historical levels of medical cost claims are used to estimate future after-service health insurance obligations. However, because claim levels in 2020 were influenced by health-care access restrictions and other pandemic-related factors and are not expected to represent reliable indicators of long-term trends, the current year's claims were exceptionally excluded from the average calculation.

Assumptions used in valuation of repatriation benefit obligations

Discount rate	1.85% (2019: 2.75%) – The entitlements to repatriation benefits are determined in United States dollars. Each year's projected cash flow is discounted at a spot rate for high-quality corporate bonds payable in United States dollars appropriate for that maturity. The discount rate is the single equivalent rate that produces the same discounted present value.
Expected rate of salary increase	2.20% (2019: 2.20%)

After-service health insurance liability

Table 3.8.2

Comparison of gross and net after-service health insurance liability

(Thousands of United States dollars)

	2020		2019	
	<i>Present value of future benefits</i>	<i>Accrued liability</i>	<i>Present value of future benefits</i>	<i>Accrued liability</i>
Gross liability	1 749 604	1 500 471	1 313 473	1 170 573
Offset from retiree contributions	(553 655)	(478 613)	(417 072)	(371 696)
Net liability as at 31 December	1 195 949	1 021 858	896 401	798 877

97. The present value of future benefits is the discounted value of all benefits, less retiree contributions, to be paid in the future to all current retirees and to active staff from the date of expected retirement. The accrued liability represents the already earned portion of the present value of benefits that has accrued from the staff member's date of entry on duty into qualifying service until the valuation date. The total period of qualifying service may include non-continuous prior periods. An active staff member's benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Thus, for retirees and active staff members who are eligible to retire with benefits, the present value of future benefits and the accrued liability are equal. Liabilities are calculated using the projected unit credit method, whereby each participant's benefits under the plan are expensed as they accrue, taking into consideration the plan's benefit allocation formula.

98. The following table presents a reconciliation of opening and closing balances of the after-service health insurance liability:

Table 3.8.3

Change in defined benefit obligation

(Thousands of United States dollars)

<i>After-service health insurance</i>	2020	2019
Defined benefit obligation at 1 January	798 877	588 581
Past service cost	–	47 429
Service cost for year	38 357	31 929
Interest cost for year	14 262	16 298
Benefits paid (net of participant contributions)	(6 241)	(5 108)
Actuarial (gain)/loss	176 603	119 748
Defined benefit obligation at 31 December	1 021 858	798 877

99. Service and interest costs are recognized as an expense in the statement of financial performance (statement II). The expense recognized in 2020 is \$52.6 million (\$95.7 million in 2019), as detailed in note 6.2.

100. The past service cost of \$47.4 million in 2019 reflects the impact of changes in management assumptions and the correction of certain immaterial errors in the calculation of the after-service health insurance liability accrued in previous years.

101. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial loss of \$176.6 million in 2020 is attributable primarily to lower

discount rates (\$101.9 million), currency exchange rate changes (\$85.7 million) and claims cost experience (\$38.0 million), offset by actuarial gains attributable to inflation assumption changes since 2019 (\$53.0 million). A further \$3.0 million of the net actuarial loss is attributable to the initial recognition in 2020 of qualifying periods of service of certain active staff members earned at other entities prior to their entry into service at UNHCR. The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and liability.

102. UNHCR sets aside funds in respect of after-service health insurance liabilities for past service (3 per cent of the net base salary of all Professional and General Service staff under the United Nations Staff Mutual Insurance Society health-care plan) and for current-year costs (service and interest). In 2019, this included the past service costs referred to in paragraph 100 above. The total amount funded as at 31 December 2020 is \$377.5 million (\$302.4 million in 2019). 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 2020</i>	<i>31 December 2019</i>
Defined benefit obligations	1 021 858	798 877
Funded	(377 510)	(302 385)
Unfunded defined benefit obligations	644 348	496 492

103. The contribution of UNHCR in 2021 for after-service health insurance is estimated at \$91.7 million.

Sensitivity analysis

104. 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 2020; and (b) the accumulated post-employment benefit obligation as at 31 December 2020 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	(12 095)	(220 233)
One percentage point decrease	15 041	326 006
Net periodic post-employment medical costs:		
One percentage point increase	27 050	308 142
One percentage point decrease	(19 713)	(222 901)

	<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	9 552	159 852
One per cent decrease per year after age 65	(11 323)	(163 014)

Repatriation benefits

105. 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 2020 was \$134.8 million (\$125.7 million in 2019), as shown in table 3.8.6.

Table 3.8.6
Repatriation liability by type

(Thousands of United States dollars)

	<i>31 December 2020</i>		<i>31 December 2019</i>	
	<i>Present value of future benefits</i>	<i>Accrued liability</i>	<i>Present value of future benefits</i>	<i>Accrued liability</i>
Repatriation grant	120 663	77 050	104 767	69 381
Travel and shipment	57 760	57 760	56 358	56 358
Net liability	178 423	134 810	161 125	125 739

106. The accrued liability represents the already earned portion of the present value of repatriation benefits. The present value of future benefits is the discounted value of all expected benefits to be paid in the future, including the portion expected to be earned until the maximum entitlement is vested.

107. 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>2020</i>	<i>2019</i>
Net obligation at 1 January	125 739	103 311
Service cost for the year	5 989	4 621
Interest cost for the year	3 310	4 011
Benefits paid	(5 036)	(3 617)
Actuarial (gain)/loss	4 808	17 413
Total obligation at 31 December	134 810	125 739

108. The aggregate of the current-year service and interest costs is recognized as an expense in the statement of financial performance (statement II). For 2020, the expense recognized was \$9.3 million (\$8.6 million in 2019), as detailed in note 6.2.

The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and the liability.

Table 3.8.8
Funding status of repatriation liability

(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>31 December 2020</i>	<i>31 December 2019</i>
Total obligations	134 810	125 739
Funded	(23 005)	(19 890)
Unfunded obligations	111 805	105 849

109. The contribution by UNHCR in 2021 for repatriation benefits is estimated at \$3.1 million.

Sensitivity analysis

110. 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 2020; and (b) the accumulated post-employment benefit obligation as at 31 December 2020 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	1 188	7 432
One percentage point decrease	(987)	(6 495)
Discount rates:		
One percentage point increase	146	(11 989)
One percentage point decrease	(152)	14 194

United Nations Joint Staff Pension Fund

111. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the Consulting Actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

112. The financial obligation of UNHCR to the Pension Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following a determination that there is a requirement for deficiency payments on the basis of an assessment of the actuarial

sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

113. The latest actuarial valuation for the Pension Fund was completed as at 31 December 2019. A roll forward of the participation data as at 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

114. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.4 per cent (139.2 per cent in the 2017 valuation). The funded ratio was 107.1 per cent (102.7 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

115. After assessing the actuarial sufficiency of the Pension Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of the present report, the General Assembly had not invoked the provision of article 26.

116. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or owing to the termination of the Pension Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2017, 2018 and 2019) amounted to \$7,546.92 million, of which 4.9 per cent was contributed by UNHCR.

117. During 2020, UNHCR contributions paid to the Pension Fund amounted to \$147.6 million (\$137.1 million in 2019). Expected contributions due in 2021 are approximately \$158.9 million.

118. Membership in the Pension Fund may be terminated by a decision of the General Assembly upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination are to be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities are included in the amount.

119. The Board of Auditors carries out an annual audit of the Pension Fund and reports on the audit to the Pension Board and the General Assembly every year. The Fund publishes quarterly reports on its investments, which can be viewed on its website at www.unjspf.org.

3.9 Other current liabilities

120. 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 2020</i>	<i>31 December 2019</i>
Other payables	6 838	7 366
Contributions pending agreement	1 315	1 757
Total other current liabilities	8 153	9 122

3.10 Provisions

Table 3.10
Accumulated fund balances and reserves
(Thousands of United States dollars)

	<i>31 December 2020</i>	<i>31 December 2019</i>
Type of provision		
Provisions for refunds of contributions	62	340
Legal claims	5 424	4 988
Other	94	–
Total provisions	5 579	5 328
Of which:		
Current	5 486	5 328
Non-current	94	–
Total provisions	5 579	5 328

121. Provisions for legal claims represent cases where payment is probable and the amount of the settlement claim can be reliably estimated. UNHCR is in ongoing commercial disputes with a small number of suppliers with regard to the quantities delivered and prices charged. These disputes are subject to negotiation and may ultimately be settled through arbitration, with uncertain outcome. The estimated additional cost to settle the agreements in arbitration is included as a legal provision. During 2020, an increase of \$0.4 million in provisions for legal claims was included under miscellaneous expenses (see note 6.9).

3.11 Accumulated fund balances and reserves

Table 3.11

Accumulated fund balances and reserves

(Thousands of United States dollars)

	<i>Closing balance 31 December 2019</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>Closing balance 31 December 2020</i>
Annual Programme Fund				
Annual Programme Fund net of reserves	2 292 271	577 425	(13 962)	2 855 733
Operational reserve	10 000	–	–	10 000
New or additional activities – mandate-related reserve	20 000	–	–	20 000
Total Annual Programme Fund	2 322 271	577 425	(13 962)	2 885 733
United Nations Regular Budget Fund	(339)	(84)	423	–
Junior Professional Officers Fund	17 073	293	(6 696)	10 671
Projects Fund	225 439	(43 744)	3 972	185 668
Total accumulated fund balances and reserves	2 564 444	533 891	(16 262)	3 082 073

122. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization.

123. Transactions for pillar 1: Global Refugee Programme, and pillar 2: Global Stateless Programme, are recorded in:

- (a) The Annual Programme Fund;
- (b) The Regular Budget Fund;
- (c) The Junior Professional Officers Fund.

Transactions for pillar 3: Global Reintegration Projects, and pillar 4: Global Internally Displaced Persons Projects, are recorded in the Projects Fund.

124. 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.

125. The new or additional activities – mandate-related reserve is utilized to provide UNHCR with the budgetary capacity to accommodate unbudgeted activities that are consistent with the activities and strategies in the approved annual programme budget and the mandate of the Office. This reserve is constituted at \$50.0 million for each financial period of the biennial programme budget, or at a different level if so decided by the Executive Committee. For the financial period 2020, within the approval of the total 2020 revised budget, the Executive Committee approved \$20.0 million as the new or additional activities – mandate-related reserve. In 2020, the Executive Committee determined that the new or additional activities – mandate-related reserve is no longer required, effective January 2022. As a result, at the end of 2021, any remaining balance will be released and transferred back to the annual programme fund.

3.12 Working Capital and Guarantee Fund

126. The Working Capital and Guarantee Fund is maintained by revenue from interest on invested funds, savings from prior-year programmes, voluntary contributions and other miscellaneous revenue. It is utilized to replenish the operational reserve and to meet essential payments and guarantee obligations pending receipt of pledged contributions.

Table 3.12

Working Capital and Guarantee Fund

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2020</i>
Working Capital and Guarantee Fund	100 000	92 220	(92 220)	100 000

3.13 Medical Insurance Plan

Table 3.13

Changes in Medical Insurance Plan

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2020</i>
Medical Insurance Plan	46 538	7 392	–	53 929

127. The Medical Insurance Plan was established by the General Assembly at its forty-first session in accordance with United Nations staff regulation 6.2. The Plan is maintained by premiums from staff and proportional contributions from UNHCR, as well as by interest revenue. Expenses include claims processed during the year and associated administrative expenses. Coverage under the Plan is limited to General Service staff members and National Professional Officers and eligible retirees originally recruited to designated duty stations away from headquarters.

3.14 Staff Benefits Fund

Table 3.14.1

Changes in Staff Benefits Fund

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>Surplus/ (deficit)</i>	<i>Actuarial gain/(loss)</i>	<i>Transfer in/(out)</i>	<i>31 December 2020</i>
Staff Benefits Fund	(604 152)	(79 073)	(181 411)	108 483	(756 153)

Table 3.14.2
Analysis of Staff Benefits Fund

(Thousands of United States dollars)

	31 December 2020			31 December 2019		
	<i>Liabilities</i>	<i>Funding</i>	<i>Net fund balance</i>	<i>Liabilities</i>	<i>Funding</i>	<i>Net fund balance</i>
After-service health insurance	(1 021 858)	377 510	(644 348)	(798 877)	302 385	(496 492)
Repatriation	(134 810)	23 005	(111 805)	(125 739)	19 890	(105 849)
Annual leave	(110 551)	110 551	–	(76 640)	76 640	–
Other separation benefits	(2 250)	2 250	–	(1 810)	–	(1 810)
Total	(1 269 469)	513 316	(756 153)	(1 003 065)	398 914	(604 152)

128. The Staff Benefits Fund was established to record transactions relating to end-of-service and post-retirement benefits.

129. In accordance with the decision of the Standing Committee in June 2011, UNHCR started funding after-service health insurance liabilities for past service by charging 3 per cent of the net base salary of all Professional and relevant General Service staff under the United Nations Staff Mutual Insurance Society plan, with effect from 1 January 2012. From April 2017, following a decision of the Standing Committee in March 2017, the 3 per cent charge also includes General Service staff covered by the Medical Insurance Plan. UNHCR charges the current-year cost of after-service health insurance (service and interest) to the annual budget for staff costs. The amount funded as at 31 December 2020 is \$377.5 million (\$302.4 million in 2019) (see also para. 102 above).

130. In addition, in accordance with the decision of the Standing Committee, UNHCR has reserved funding for repatriation since 2012.

131. All of the funds and reserves referred to above were established by the Executive Committee or by the High Commissioner with the concurrence of the Executive Committee.

Note 4

Risk analysis

Credit risk

132. 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

133. UNHCR risk management policies limit the amount of cash and investment holdings with any bank. In the identification and maintenance of the list of approved custodians, the risks of loss of principal in the event of counterparty default are mitigated through the application of risk management evaluations and bank risk rating grades. Surplus funds are placed with financial institutions worldwide with the greatest financial strength as measured by adequacy of capital and reserves. Geographical distribution and specific threshold limits by counterparty are practiced.

All surplus funds placements are made with financial institutions that are accorded the strongest credit ratings by the primary rating agencies.

Receivables

134. Contributions receivable are composed primarily of voluntary contributions due from Member States. Historically, no material amounts have remained uncollected. The risk of non-collection has been assessed and has been provided for, as indicated in table 3.2.3.

Liquidity risk

135. UNHCR total cash and cash equivalent holdings amounted to \$1,125.3 million as at 31 December 2020, compared with \$983.5 million as at 31 December 2019.

136. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of \$992.2 million and encumbered non-operational cash holdings amounting to \$133.1 million (see note 3.1).

137. The average balance of unencumbered operational cash holdings during 2020 represents a coverage of 2.7 months of expenses (2019: 2.2 months).

138. The implementation of UNHCR programme and emergency activities is planned using cash flow forecasting for actual and estimated pledged contributions and special appeals. Liquidity management procedures and monitoring are in place to ensure that sufficient liquid cash holdings are available to meet contractual liabilities as and when due. However, UNHCR is heavily dependent upon cash flows from a small number of major donors. Due to donor restrictions (“earmarking”), not all liquid assets are available to fund general operations in the event of delays in the receipt of funds pledged, declining contributions, or other unanticipated events that negatively impact liquidity. At 31 December 2020, the cash balance included \$562.1 million and accounts receivable included an additional \$592.1 million in respect of contributions that are earmarked for specific purposes in 2021 and beyond. Similarly, short term future charges on net assets include the obligation to liquidate commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered by 31 December (see note 9.2). Typically, approximately 65 per cent to 70 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

139. 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.

Foreign exchange risk

140. 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 103 currencies worldwide. UNHCR manages currency risk at the multi-currency portfolio level by establishing actual and forecasted net cash flow positions by currency pairs that are highly correlated between receiving and paying currencies. Therefore, short-term hedging interventions are limited. There are no open contracts at year-end.

141. There is significant foreign exchange risk derived from pledges of voluntary contributions, specifically in the timing of the receipt of a pledge. UNHCR addresses

the underlying uncertainty by using an established risk methodology to substantiate and validate the benefit of a high degree of diversification in its currency portfolio.

142. 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.

143. UNHCR procures all major convertible currencies centrally at headquarters through standardized electronic trading platforms managing worldwide operational needs in approximately 130 countries.

Sensitivity analysis

144. The effect of a strengthening or weakening of the United States dollar against all other relevant currencies by one percentage point between 31 December 2020 and the date of settlement of monetary assets and liabilities is to increase or decrease net assets by approximately \$13.3 million.

Note 5

Revenue

5.1 Voluntary contributions

Table 5.1.1

Analysis of voluntary contributions

(Thousands of United States dollars)

	2020	2019
Monetary contributions		
Government	3 410 369	3 393 247
Other intergovernmental organizations	710 991	164 772
Private donors	478 580	412 729
United Nations system organizations and funds	145 265	91 791
Subtotal monetary contributions	4 745 205	4 062 539
Refunds to donors and other reductions in prior-year revenue	(12 417)	(470)
Total monetary contributions	4 732 788	4 062 069
In-kind contributions		
Government	25 585	18 806
Other intergovernmental organizations	390	–
Private donors	68 505	12 673
United Nations system organizations and funds	505	263
Total in-kind contributions	94 985	31 742
Total voluntary contributions	4 827 773	4 093 811

145. 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.

146. 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 2020 comprised \$69.9 million for goods (\$7.5 million in 2019) and \$25.1 million for services (\$24.2 million in 2019). In-kind goods consisted primarily of clothing and footwear (\$38.1 million) and personal protection equipment (\$26.9 million). The increase in in-kind contributions in 2020 is attributable mainly to the COVID-19 pandemic.

147. The total monetary contributions (before adjustments) of \$4,745.2 million recorded in 2020 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>2020</i>	<i>Year funded</i>	<i>2019</i>
2020 and earlier	3 699 965	2019 and earlier	2 960 137
Future years		Future years	
2021	863 457	2020	791 460
2022	138 769	2021	235 494
2023	42 250	2022	63 455
2024	406	2023	11 993
2025	358	2024	–
Subtotal, future years	1 045 240		1 102 402
Total monetary contributions (before adjustments)	4 745 205		4 062 539

Table 5.1.3

Monetary contributions by type of earmarking

(Thousands of United States dollars)

	<i>2020</i>	<i>2019</i>
Unearmarked	532 139	713 132
Softly earmarked	718 965	502 223
Earmarked	2 237 292	2 111 095
Tightly earmarked	1 256 809	736 089
Total monetary contributions (before adjustments)	4 745 205	4 062 539

148. 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.

149. Monetary contributions earmarked by donors for COVID-19-related activities amounted to \$471 million, including, in certain cases, reprogramming of existing funds towards COVID-19 relief activities.

5.2 Other revenue

Table 5.2

Other revenue

(Thousands of United States dollars)

	2020	2019
Sale of assets	8 032	15 063
Medical premiums from Medical Insurance Plan participants	3 556	3 156
Use of guest-house accommodation	3 110	4 552
Use of office space and parking	647	732
Miscellaneous revenue	3 272	3 212
Total other revenue	18 618	26 714

150. Sale of assets primarily represents the gains from the sale of vehicles, which in 2020 were affected by COVID-19.

Note 6

Expenses

6.1 Implementing partnership expense

151. The total implementing partners' expense incurred during the financial period amounted to \$1,392.2 million (\$1,345.0 million in 2019). The analysis is presented by type of implementing partner and by region. The analysis by region is consistent with note 8 and replaces previously presented analysis by pillar.

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	
					2020	2019 (reclassified)
West and Central Africa	11 669	79 142	43 506	–	134 318	113 064
East Africa, Horn of Africa and Great Lakes Region	58 094	169 176	45 100	496	272 867	303 360
Southern Africa	8 495	31 635	21 897	425	62 451	55 958
Middle East and North Africa	13 649	141 771	116 459	2 962	274 841	284 115
Asia and the Pacific	20 639	37 380	73 795	423	132 238	138 032
Europe	24 525	19 797	110 740	380	155 442	170 163
The Americas	2 931	36 786	59 324	803	99 844	59 103
Headquarters/global programmes	1 412	23 810	63 836	342	89 400	77 987
Expenses reported by implementing partners against current-year agreements	141 415	539 496	534 658	5 831	1 221 401	1 201 782

Region	Government	International non-governmental organizations	Local non-governmental organizations	United Nations system organizations	Total expenses	
					2020	2019 (reclassified)
Report pending receipt or processing	26 701	76 933	72 555	5 950	182 139	167 359
Prior-year agreement adjustments ^a	(1 948)	(6 758)	(5 400)	2 782	(11 324)	(24 173)
Total expense	166 168	609 671	601 813	14 563	1 392 215	1 344 969

^a The prior-year agreement adjustments amount of \$11.3 million (2019: \$24.2 million) includes refundable unspent balances of \$38.0 million (2019: \$40.1 million) and recoveries resulting from partner audits of \$1.4 million (2019: \$1.2 million), which are offset by partner expenses in the current year against previously recorded prepayments of \$28.1 million (2019: \$17.1 million).

152. The amount of \$1,392.2 million reported as implementing partner expenses (2019: \$1,345.0 million) includes \$182.1 million (2019: \$167.4 million) already paid to implementing partners in respect of which reporting is pending receipt or final processing by UNHCR. COVID-19-related challenges have affected partners' ability to report within customary timelines. The estimated refunds for underspending are recorded within implementing partner receivables and advances (see note 3.4).

153. The total amount of funds recovered from implementing partners in 2020 for unjustified expenses was \$1.4 million (\$1.2 million in 2019). These were determined through UNHCR review of audit reports of projects implemented by partners.

154. Interest and miscellaneous revenue amounting to \$2.1 million (\$2.3 million in 2019) were received from implementing partners for the year.

6.2 Salaries and employee benefits

Table 6.2

Salaries and employee benefits

(Thousands of United States dollars)

	2020	2019 (reclassified)
Salary	637 546	583 939
Staff allowances and entitlements	187 746	177 171
Pension	147 604	137 083
Temporary assistance	53 012	58 871
After-service health insurance	52 619	95 656
Annual leave	33 911	3 866
Medical insurance – current	33 814	33 701
Termination	5 366	16 127
Reimbursement of income tax	5 011	5 257
Evacuation	3 641	3 519
Other personnel costs	7 610	9 026
Total salaries and employee benefits	1 167 879	1 124 219

155. Staff allowances and entitlements includes various entitlements previously reported in separate lines in table 6.2. Prior-year comparative numbers have been reclassified accordingly.

156. After-service health insurance costs of \$95.7 million in 2019 include \$47.4 million of past service costs, including \$36.5 million resulting from a change in interpretation of responsibilities for settlement of certain liabilities (see also para. 100 above).

157. Annual leave accrual of \$33.9 million in 2020 includes \$10.4 million for accumulated annual leave days in excess of the usual cap on the number of leave days that can be carried forward. The excess is a result of the temporary lifting of the cap owing to COVID-19-related travel restrictions (see also para. 94 above).

158. Other personnel costs are offset by the capitalization of internal staff costs of \$3.6 million (2019: \$5.6 million) incurred in the development of intangible assets.

6.3 Cash assistance to beneficiaries

159. Cash assistance is a means of delivering protection, assistance and services providing recipients with choice in meeting their needs.

160. The amount of cash assistance provided through partners is \$87.4 million (2019: \$76.2 million) and is included in implementing partner expense in note 6.1.

6.4 Contractual services

Table 6.4

Contractual services

(Thousands of United States dollars)

	2020	2019
Affiliated workforce and individual contractors	166 334	140 824
Construction contracts	55 499	41 969
Advertising, marketing and public information	45 749	51 599
Direct services for beneficiaries	42 410	40 973
Transport, cargo handling and warehouse management	37 820	44 189
Data processing	33 727	25 824
Professional services	23 895	22 858
Individual consultants	8 270	10 970
Translation, printing and publication	6 855	9 194
Other services	64 128	70 056
Total contractual services	484 685	458 457

161. 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.

162. Direct services for beneficiaries includes the provision of medical care, accommodation and other services where UNHCR contracts with service providers on behalf of persons of concern in lieu of cash assistance to beneficiaries. Other services includes various specialized services of a technical, analytical and operational nature provided through contractual arrangements.

163. Data processing services includes costs incurred in the implementation of cloud-based software as a service solutions for human resources (\$0.2 million), finance and supply chain management (\$0.1 million) and results-based management purposes (\$1.9 million), given that these implementation costs for software as a service solutions do not meet the criteria for treatment as intangible assets.

6.5 Supplies and consumables for beneficiaries

Table 6.5

Supplies and consumables for beneficiaries

(Thousands of United States dollars)

	2020	2019
Distributed from inventory		
Medical and hygienic supplies and apparel	84 804	42 916
Bedding materials	65 398	66 913
Household items	53 062	56 535
Tents	35 241	28 497
Construction materials and related equipment	25 714	38 069
Basic food	2 432	2 385
Other supplies and equipment	3 190	2 848
Total distributed from inventory	269 840	238 163
Other costs of supplies and distributions		
Other supplies and consumables distributed	67 720	46 748
Other changes in inventory (not yet distributed)	(1 236)	(877)
Total supplies and consumables for beneficiaries	336 324	284 034

164. Other supplies and consumables distributed includes expenses pertaining to consumable items that are not considered inventory. These include \$30.0 million of medical items (2019: \$19.7 million) and \$18.6 million of household items (2019: \$14.2 million).

165. The increases from 2019 to 2020 in medical and hygienic supplies and apparel (\$42.9 million) and other supplies and consumables distributed (\$21.0 million) are attributable mainly to the impact of the COVID-19 pandemic.

166. Other changes in inventory reflect primarily allowances for inventories beyond their shelf lives and for in-transit inventory items where delivery is overdue.

6.6 Operating expenses

Table 6.6

Operating expenses

(Thousands of United States dollars)

	2020	2019
Rental and maintenance of premises	75 756	68 254
Security	47 337	45 988
Communications	41 133	34 547
Fuel and lubricants	27 555	27 641
Bank charges	16 443	15 062
Utilities	10 717	8 846
Rental and maintenance of vehicles and equipment	9 537	10 009
Guest houses	7 815	9 322
Insurance	3 838	2 592
Other operating expenses	18 561	21 142
Total operating expenses	258 693	243 404

167. Other operating expenses includes local transport, miscellaneous supplies and materials for various operational needs.

6.7 Equipment and supplies

Table 6.7

Equipment and supplies

(Thousands of United States dollars)

	2020	2019
Equipment and related supplies	49 006	59 829
General office supplies	14 701	13 399
Property, plant and equipment transferred	8 755	2 003
Furniture and fixtures	7 890	8 928
Buildings (non-capitalizable)	4 287	1 311
Vehicles and workshop supplies	3 898	4 101
Software and licenses	2 723	684
Alterations and improvements	917	549
Total equipment and supplies	92 178	90 805

168. Expenses recognized under equipment and related supplies include the purchase of items such as computers and communications equipment below their respective capitalization thresholds.

6.8 Depreciation and amortization

Table 6.8

Depreciation and amortization

(Thousands of United States dollars)

	2020	2019
Depreciation of property, plant and equipment	36 674	33 101
Amortization of intangible assets	7 431	7 032
Total depreciation and amortization	44 105	40 133

6.9 Other expenses

Table 6.9

Other expenses

(Thousands of United States dollars)

	2020	2019
Seminars and workshops	6 646	20 007
Bad debt expense	5 326	2 215
Training	4 755	6 965
Miscellaneous expenses	3 347	866
Total other expenses	20 074	30 054

169. The ability to host seminars and workshops in 2020 was affected by the COVID-19 pandemic. Miscellaneous expenses includes adjustments to prior-year expenses, losses/(gains) on disposal of fixed assets, ex gratia payments and legal claims.

6.10 Foreign exchange gains and losses

Table 6.10

Foreign exchange gains and losses

(Thousands of United States dollars)

	2020	2019
Realized (gain)/loss	(21 412)	9 422
Unrealized (gain)/loss	(73 825)	(9 414)
Total foreign exchange (gains) and losses	(95 237)	9

170. In 2020, the unrealized exchange gains of \$73.8 million resulted primarily from the impact of the weakening of the United States dollar against those currencies in which UNHCR held accounts receivable and bank balances as at 31 December 2020 (primarily the euro, Swedish krona, the Swiss franc and the Danish krone). Items denominated in euros accounted for more than half of the realized gains.

Note 7

Statement of comparison of budget and actual amounts

171. 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 and the Medical Insurance Plan;

(d) **Presentation differences** are due to differences in the format and classification schemes adopted for presentation of the statement of financial performance (statement II) and the statement of comparison of budget and actual amounts (statement V). The UNHCR budget in statement V is presented on an operational and geographical basis, while expenses are presented by nature of expense in the statement of financial performance (statement II).

172. 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 2020 is presented below.

Table 7
Statement of comparison of budget and actual amounts

(Thousands of United States dollars)

	2020
Actual amount on a comparable basis (statement V)	4 837 666
Basis differences	
Commitments (excluding those dealt with elsewhere under entity or basis differences)	(200 795)
Property, plant and equipment, and intangible assets	(72 208)
Employee benefits funding	(74 631)
Elimination of inter-segment expenses	(56 862)
Implementing partner expenditure current year	(39 323)
Implementing partnership refunds and adjustments for prior-year projects	(23 294)
Inventory obsolescence	(1 236)
Inventory	(76 929)
Depreciation and amortization of property, plant and equipment, and intangible assets	44 105
Bad debt expense	3 450
Other	(2 011)
Total basis differences	(499 735)
Entity differences	
Staff Benefits Fund	81 022
Medical Insurance Plan	8 752
Working Capital and Guarantee Fund	4 750
Total entity differences	94 524
Total expenses	4 432 455

173. Explanations of material differences between the original budget and the final budget and the actual amounts are presented in section D of chapter IV above.

Note 8
Segment reporting

8.1 Statement of financial position by segment as at 31 December 2020

Table 8.1.1

Statement of financial position by geographic segment as at 31 December 2020

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/global programmes/other</i>	<i>Total</i>
Assets									
Current assets									
Cash and cash equivalents	34 408	46 297	5 824	65 647	28 944	11 239	11 367	921 528	1 125 255
Investment	–	–	–	–	–	–	–	534 000	534 000
Contributions receivable	–	–	–	–	–	–	–	1 241 484	1 241 484
Inventories	14 613	47 687	15 058	87 279	23 103	16 094	10 449	46 131	260 415
Other current assets	17 906	51 595	6 121	82 192	17 438	27 785	17 703	49 151	269 892
Total current assets	66 927	145 579	27 003	235 119	69 485	55 118	39 519	2 792 295	3 431 046
Non-current assets									
Contributions receivable	–	–	–	–	–	–	–	321 471	321 471
Property, plant and equipment	7 170	34 049	6 365	18 998	5 836	1 886	1 093	138 225	213 621
Intangible assets	–	–	–	–	–	–	–	38 120	38 120
Total non-current assets	7 170	34 049	6 365	18 998	5 836	1 886	1 093	497 816	573 211
Total assets	74 097	179 628	33 368	254 117	75 321	57 004	40 612	3 290 111	4 004 257
Liabilities									
Current liabilities									
Accounts payable and accruals	11 892	25 632	5 021	85 066	13 729	24 510	3 826	50 813	220 488
Employee benefits	–	–	–	–	–	–	–	148 467	148 467
Other current liabilities	–	–	–	–	–	–	–	8 153	8 153
Provisions	–	–	–	–	–	–	–	5 486	5 486
Total current liabilities	11 892	25 632	5 021	85 066	13 729	24 510	3 826	212 919	382 594

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/global programmes/other</i>	<i>Total</i>
Non-current liabilities									
Employee benefits	–	–	–	–	–	–	–	1 141 720	1 141 720
Provisions	–	–	–	–	–	–	–	94	94
Total non-current liabilities	–	–	–	–	–	–	–	1 141 813	1 141 813
Total liabilities	11 892	25 632	5 021	85 066	13 729	24 510	3 826	1 354 733	1 524 408
Net assets	62 205	153 995	28 347	169 051	61 592	32 494	36 785	1 935 378	2 479 849

Table 8.1.2
Statement of financial position by geographic segment as at 31 December 2019
 (Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/global programmes/other</i>	<i>Total</i>
Assets									
Current assets									
Cash and cash equivalents	21 913	34 572	8 421	46 154	33 231	12 374	7 880	818 920	983 466
Investment	–	–	–	–	–	–	–	330 000	330 000
Contributions receivable	–	–	–	–	–	–	–	1 092 699	1 092 699
Inventories	8 708	24 968	12 768	72 896	12 159	9 222	6 315	36 663	183 699
Other current assets	10 857	29 501	6 557	76 616	24 228	29 505	15 862	44 888	238 013
Total current assets	41 478	89 041	27 746	195 666	69 618	51 101	30 057	2 323 170	2 827 876
Non-current assets									
Contributions receivable	–	–	–	–	–	–	–	319 566	319 566
Property, plant and equipment	7 811	30 121	6 528	16 814	4 656	2 902	2 227	122 370	193 429
Intangible assets	–	–	–	–	–	–	–	35 015	35 015
Total non-current assets	7 811	30 121	6 528	16 814	4 656	2 902	2 227	476 949	548 010
Total assets	49 289	119 162	34 274	212 480	74 273	54 003	32 283	2 800 120	3 375 886
Liabilities									
Current liabilities									
Accounts payable and accruals	7 552	26 405	6 475	81 297	17 827	29 634	6 076	60 306	235 572
Employee benefits	–	–	–	–	–	–	–	108 758	108 758
Other current liabilities	–	–	–	–	–	–	–	9 122	9 122
Provisions	–	–	–	–	–	–	–	5 328	5 328
Total current liabilities	7 552	26 405	6 475	81 297	17 827	29 634	6 076	183 514	358 780
Non-current liabilities									
Employee benefits	–	–	–	–	–	–	–	910 276	910 276
Provisions	–	–	–	–	–	–	–	–	–
Total non-current liabilities	–	–	–	–	–	–	–	910 276	910 276
Total liabilities	7 552	26 405	6 475	81 297	17 827	29 634	6 076	1 093 790	1 269 056
Net assets	41 737	92 757	27 799	131 184	56 447	24 369	26 207	1 706 330	2 106 830

8.2 Statement of financial performance by segment for the year ended 31 December 2020

Table 8.2.1

Statement of financial performance by geographic segment as at 31 December 2020

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/global programmes/other</i>	<i>Total</i>
Revenue									
Voluntary contributions	314 703	701 650	110 778	1 210 443	348 260	524 824	292 279	1 324 835	4 827 773
United Nations regular budget	–	–	–	–	–	–	–	40 093	40 093
Interest revenue	90	357	42	144	667	171	78	3 616	5 165
Other revenue	4 434	11 149	3 090	4 257	3 864	1 368	1 047	(10 592)	18 618
Total revenue	319 227	713 157	113 910	1 214 844	352 791	526 363	293 404	1 357 952	4 891 649
Expenses									
Implementing partner expenses	150 742	298 378	69 074	362 248	152 723	154 663	112 723	91 664	1 392 215
Salaries and employee benefits	114 439	217 204	67 047	192 536	103 800	98 404	84 479	289 970	1 167 879
Cash assistance to beneficiaries	10 843	23 843	3 336	395 603	14 541	140 208	15 258	4 020	607 652
Contractual services	25 194	59 828	13 190	102 622	31 128	45 553	38 812	168 357	484 685
Supplies and consumables for beneficiaries	28 235	70 352	13 564	127 272	60 059	13 395	19 232	4 216	336 324
Operating expenses	25 855	56 647	12 754	57 914	21 852	25 395	13 445	44 830	258 693
Equipment and supplies	8 853	17 340	6 124	14 153	14 407	5 945	13 365	11 991	92 178
Travel expenses	5 130	5 232	3 803	4 185	1 606	1 869	3 257	3 566	28 650
Depreciation and amortization	1 979	6 160	1 188	3 354	971	505	338	29 609	44 105
Other expenses	815	3 301	993	2 218	2 802	2 405	1 426	6 113	20 074
Total expenses	372 084	758 286	191 073	1 262 106	403 890	488 343	302 334	654 338	4 432 455
Foreign exchange (gains)/losses	(2 514)	(236)	363	671	952	243	1 535	(96 250)	(95 237)
Surplus/(deficit) for the year	(50 343)	(44 893)	(77 526)	(47 933)	(52 051)	37 777	(10 466)	799 864	554 430

Table 8.2.2
Statement of financial performance by geographic segment as at 31 December 2019

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/global programmes/other</i>	<i>Total</i>
Revenue									
Voluntary contributions	170 516	543 702	68 551	1 176 192	341 500	184 361	216 340	1 392 647	4 093 811
United Nations regular budget	–	–	–	–	–	–	–	43 298	43 298
Interest revenue	90	328	48	147	525	178	46	17 953	19 314
Other revenue	6 866	15 486	2 834	4 946	3 878	1 702	723	(9 721)	26 714
Total revenue	177 472	559 515	71 434	1 181 286	345 903	186 241	217 109	1 444 177	4 183 137
Expenses									
Implementing partner expenses	124 931	330 733	64 722	334 204	153 085	180 511	69 383	87 400	1 344 969
Salaries and employee benefits	101 831	206 222	59 011	186 287	96 311	84 888	67 273	322 395	1 124 219
Cash assistance to beneficiaries	8 526	16 091	3 552	383 946	8 064	127 201	17 824	4 454	569 659
Contractual services	21 536	49 073	14 857	107 353	23 705	50 128	27 629	164 176	458 457
Supplies and consumables for beneficiaries	16 928	67 909	16 539	122 715	37 805	12 192	6 009	3 938	284 034
Operating expenses	21 329	55 259	12 554	59 859	18 419	21 278	12 025	42 680	243 404
Equipment and supplies	7 298	14 309	5 079	22 391	7 921	7 871	8 776	17 159	90 805
Travel expenses	7 688	10 783	6 409	7 524	4 336	5 911	11 113	18 765	72 529
Depreciation and amortization	2 360	5 831	1 193	3 409	777	591	155	25 817	40 133
Other expenses	1 381	3 143	1 183	2 985	1 777	6 479	3 411	9 694	30 054
Total expenses	313 808	759 354	185 099	1 230 673	352 200	497 050	223 599	696 479	4 258 262
Foreign exchange (gains)/losses	491	381	149	(404)	(1 241)	485	720	(573)	9
Surplus/(deficit) for the year	(136 827)	(200 220)	(113 815)	(48 984)	(5 056)	(311 294)	(7 210)	748 272	(75 134)

174. Voluntary contributions relates to regions in tables 8.2.1 and 8.2.2 according to the earmarking reflected in contribution agreements. Voluntary contributions not earmarked to a specific region are allocated to headquarters/global programmes/other.

175. 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 2020 of \$12.3 million. They are included under the Headquarters/global programmes/other column in tables 8.2.1. and 8.2.2 and as a separate column in table 8.2.3.

Table 8.2.3

Statement of financial performance by historical segment as at 31 December 2020

(Thousands of United States dollars)

	<i>Programmes</i>	<i>Projects</i>	<i>Special funds and accounts</i>	<i>Inter-segment</i>	<i>Total</i>
Revenue					
Voluntary contributions	4 513 581	314 192	–	–	4 827 773
United Nations regular budget	40 093	–	–	–	40 093
Transfers	(448 212)	448 212	–	–	–
Interest revenue	1 225	1	3 939	–	5 165
Other revenue	15 038	(1)	15 887	(12 306)	18 618
Total revenue	4 121 725	762 403	19 826	(12 306)	4 891 649
Expenses					
Implementing partner expenses	1 116 858	275 357	–	–	1 392 215
Salaries and employee benefits	928 976	161 987	89 221	(12 306)	1 167 879
Cash assistance to beneficiaries	510 651	97 001	–	–	607 652
Contractual services	428 689	55 506	490	–	484 685
Supplies and consumables for beneficiaries	196 818	139 506	–	–	336 324
Operating expenses	209 568	43 942	5 183	–	258 693
Equipment and supplies	75 987	16 174	17	–	92 178
Travel expenses	23 196	5 446	8	–	28 650
Depreciation and amortization	36 958	7 147	–	–	44 105
Other expenses	17 708	2 761	(395)	–	20 074
Total expenses	3 545 410	804 827	94 524	(12 306)	4 432 455
Foreign exchange (gains)/losses	–	–	(95 237)	–	(95 237)
Surplus/(deficit) for the year	576 315	(42 424)	20 539	–	554 430

176. Earmarked contributions are recorded to the applicable fund/pillar upon receipt. Unearmarked and softly earmarked contributions are initially recorded under pillar 1 (Global Refugee Programme) and are subsequently transferred to other pillars, as needed, to cover budgetary requirements. Accumulated fund balances under programmes, projects and special accounts represent the unexpended portion of contributions that are carried forward to be utilized for future operational requirements.

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 2020</i>	<i>Property, plant and equipment</i>	<i>Intangible assets</i>	<i>Total 2019</i>
West and Central Africa	1 393	–	1 393	911	–	911
East Africa, Horn of Africa and Great Lakes Region	10 175	–	10 175	8 188	–	8 188
Southern Africa	1 030	–	1 030	1 539	–	1 539
Middle East and North Africa	7 024	–	7 024	3 319	–	3 319
Asia and the Pacific	2 385	–	2 385	1 327	–	1 327
Europe	98	–	98	1 947	–	1 947
The Americas	1 018	–	1 018	2 334	–	2 334
Headquarters/global programmes/other	41 839	10 536	52 375	43 992	11 330	55 322
Total	64 963	10 536	75 498	63 557	11 330	74 887

Note 9**Commitments and contingencies****9.1 Leases**

Table 9.1

Obligations for operating leases

(Thousands of United States dollars)

	<i>2020</i>	<i>2019</i>
Under 1 year	35 276	27 586
1–5 years	46 491	33 930
Beyond 5 years	8 679	10 724
Total obligations for operating leases	90 445	72 240

177. 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.

178. As at 31 December 2020, UNHCR did not have any finance leases. Operating leases included \$2.8 million of lease obligations without a diplomatic clause.

9.2 Commitments

179. As at 31 December 2020, 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)

	2020	2019
Assets and supplies	320 873	249 808
Services	162 179	120 141
Instalments due against partnership agreements	87 094	94 681
Operating expenses	39 201	47 828
Consultants	2 086	1 810
Other commitments	3 875	4 496
Total open commitments	615 308	518 764

180. The significant increase in 2020 of total open commitments is attributable primarily to procurement of medical supplies, equipment, construction contracts and transportation and cargo handling for COVID-19-related needs.

181. After year-end, UNHCR entered into additional commitments, not reflected above, to secure significant multi-year information technology services of up to a maximum value of approximately \$47 million.

9.3 Legal or contingent liabilities

182. 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.

183. As at 31 December 2020, potential underspending has been identified for certain expired contributions for which a final determination of spending status will be established in 2021. To the extent that a final determination ultimately indicates underspending, UNHCR may be required to make a refund to the donor. However, it is not possible to reliably estimate the amount of the potential refunds. Therefore, they represent contingent liabilities as at 31 December 2020. The maximum extent of the refund obligation is estimated at approximately \$3.0 million.

184. As at 31 December 2020, there were 26 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 \$1.2 million. Two of these cases challenged the post adjustment made in Geneva as at 1 May 2017. A final adjudication of these cases was made in March 2021, resulting in UNHCR no longer having financial exposure to a potential retroactive post adjustment change for all staff in Geneva. The related contingent liability existing at year-end has therefore been resolved.

185. Furthermore, there are 45 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 \$26.0 million.

9.4 Contingent assets

186. Employee benefits liabilities include \$10.4 million for staff annual leave and \$0.5 million for home leave arising from the temporary lifting of caps on the entitlement balances that staff may carry forward as a result of COVID-19. Upon reintroduction of the caps, these staff entitlements and related liabilities are expected to revert to levels reflecting the respective caps.

Note 10**Losses, ex gratia payments and write-offs**

187. UNHCR financial rule 10.5 provides that ex gratia payments may be approved when such payments are considered desirable in the interest of the organization. For 2020, 19 ex gratia payments were approved (2019: zero), totalling \$44,835. Thirteen cases were related to support measures taken by the United Nations for staff affected by the explosion in Beirut.

188. In 2020, write-offs amounted to \$5.4 million (2019: \$2.5 million), consisting primarily of donation reductions, including \$1.0 million attributable to events resulting from the COVID-19 pandemic.

189. In 2020, there were 31 substantiated fraud cases (61 cases in 2019), with a total estimated amount of \$0.11 million (\$0.52 million in 2019), including misappropriation of the organization's funds, misuse of assets, abuse of authority and procurement fraud by staff and affiliate workforce, falsification of documents, solicitation and receipt of bribes and submission of fraudulent claims by personnel for various entitlements. As at the end of 2020, there were also 71 open fraud allegation cases (45 cases in 2019) concerning staff, affiliate workforce or partners. Investigations into these cases were ongoing, and their outcome will be reported, as appropriate, once the determination is concluded.

Note 11**Related party disclosures**

190. The key management personnel of UNHCR are the High Commissioner, the Deputy High Commissioner, the two Assistant High Commissioners and the Controller, as they have the authority and responsibility for planning, directing and controlling the activities of UNHCR.

Table 11

Related party disclosures

(Thousands of United States dollars)

	<i>Number of posts filled</i>	<i>Compensation and post adjustments</i>	<i>Entitlements</i>	<i>Pension and health plans</i>	<i>Total remuneration</i>	<i>Outstanding advances against entitlements</i>	<i>Outstanding loans</i>
Key management personnel, 2020	5	1 216	68	279	1 563	31	–

191. The table above summarizes aggregate remuneration paid to key management personnel, which includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs and employer pension and current health insurance contributions.

192. 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.

193. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

Note 12

Events after the reporting date

194. 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 2021, no material events, favourable or unfavourable, have occurred that would have impacted the present statements.

195. The financial statements were approved on 31 March 2021 and submitted to the Board of Auditors for opinion. No one other than UNHCR has the authority to amend these financial statements.

