

**Advance, unedited version
(English only)**

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

**Financial report and audited
financial statements**

for the year ended 31 December 2023

and

Report of the Board of Auditors

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

ADVANCE COPY

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Commissioner for Refugees**

**Financial report and audited
financial statements**

for the year ended 31 December 2023

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Report of the Board of Auditors



United Nations • New York, 2024

Note

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

[24 July 2024]

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Letters of transmittal

Letter dated 7 May 2024 from the Controller and Director of the Division of Financial and Administrative Management of the Office of the United Nations High Commissioner for Refugees and the United Nations High Commissioner for Refugees addressed to the Chair of the Board of Auditors

We have the honour to submit the financial statements for the year ended 31 December 2023, certified and approved in accordance with the rule 602.1 of the Financial Rules for Voluntary Funds Administered by the High Commissioner for Refugees ([A/AC.96/503/Rev.12](#)).

We confirm, to the best of our knowledge and belief, and having made appropriate enquiries with other officials of the organization, the following representations in connection with your audit of the financial statements of the United Nations High Commissioner for Refugees for the year ended 31 December 2023:

1. We are responsible for preparing financial statements that properly present the activities of the organization, and for making accurate representations to you. All accounting records and related information have been made available for the purposes of your audit, and all of the transactions that occurred in the financial period have been properly reflected in the financial statements and recorded by the organization in the accounting and other records.
2. The financial statements are prepared and presented in accordance with:
 - (a) The International Public Sector Accounting Standards (IPSAS);
 - (b) The Financial Regulations of the United Nations;
 - (c) The financial rules for voluntary funds administered by the High Commissioner for Refugees;
 - (d) The accounting policies of the organization, as summarized in note 2 to the financial statements.
3. The inventories, the property, plant and equipment, and the intangible assets disclosed, respectively, in notes 3.3, 3.5 and 3.6 to the financial statements are owned by the organization and are free from any charge.
4. The value of cash, cash equivalents and investments recorded is not impaired and, in our opinion, is fairly stated.
5. All material accounts receivable are included in the financial statements and represent valid claims against debtors. Apart from the estimated uncollectable amounts, recorded under the allowance for doubtful accounts, we expect all significant accounts receivable as at 31 December 2023 to be collected.
6. All known accounts payable and accruals have been included in the financial statements.

7. The commitments of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the acquisition of goods and services, as well as the capital commitments contracted but not delivered as at 31 December 2023, are disclosed in note 9.2 to the financial statements. Commitments for future expenses are not recognized as liabilities.
8. All known legal or contingent liabilities as at 31 December 2023 are disclosed in note 9.3 to the financial statements.
9. All expenses reported during the period were incurred in accordance with the financial rules of the organization and any specific donor requirements.
10. All losses of cash or receivables, ex gratia payments, presumptive fraud and fraud, wherever incurred, were communicated to the Board of Auditors.
11. Disclosures were made in the financial statements of all matters necessary to ensure that they present fairly the results of the transactions during the period.
12. There have been no events since the UNHCR reporting date of 31 December 2023 that necessitate revision of the information presented in the financial statements.

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

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

**Letter dated 24 July 2024 from the Chair of the Board of Auditors
addressed to the President of the General Assembly**

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and audited financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2023.

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

Chapter I

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

Opinion

We have audited the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees, which comprise the statement of financial position (statement I) as at 31 December 2023 and the statement of financial performance (statement II), the statement of changes in net assets statement III), the statement of cash flow (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by the United Nations High Commissioner for Refugees as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

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

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

The United Nations High Commissioner for Refugees is responsible for the other information. The other information comprises the financial report for the year ended 31 December 2023 and the statement of internal control, both contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

In our opinion, the transactions of the voluntary funds administered by the United Nations High Commissioner for Refugees that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and the financial rules for the voluntary funds administered by the United Nations High Commissioner for Refugees except for the submission of the financial statements that were issued on 7 May 2024 although they were due on 31 March 2024.

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

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

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

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

24 July 2024

Chapter II

Long-form report of the Board of Auditors

Summary

Audit opinion

The Board of Auditors has audited the financial statements and reviewed the operations of the Office of the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2023. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Overall conclusion

The finances of UNHCR remain sound, with high levels of liquid assets. In 2023, the total revenue decreased by 22 per cent compared with 2022, mostly due to the decrease in voluntary contributions related to the Ukraine crisis.

In 2023, UNHCR responded to protracted displacement and new crises. According to its analysis, UNHCR faced 43 new emergencies (against 52 in 2022) in 29 countries. The overall estimate for persons forced to flee, including displaced persons returning home, was 114 million in 2023, against 113 million the previous year. Among the new crises of 2023, UNHCR provided life-saving assistance and protection to those affected by earthquakes in Afghanistan, the Syrian Arab Republic, and Türkiye; conflict in Sudan; a worsening crisis in the Democratic Republic of the Congo; unprecedented mixed movements of refugees and migrants in Latin America and the Caribbean; and floods in Libya and the Horn of Africa. In this context, UNHCR prioritized delivering essential services to vulnerable populations, including distributing core relief items to approximately 8.1 million people, providing shelter assistance, and creating livelihood opportunities.

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

Financial overview

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

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

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

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

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

Key findings

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

Finance

Processing of implementing partners' financial reports

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

Overview of the uninvoiced receipts at year-end

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

Automation in Cloud ERP

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

Weaknesses in user's rights and access management for Cloud ERP

User access management in Cloud ERP shows weaknesses due to insufficient preparation before go-live, resulting in numerous incidents after go-live. More than 6 months after the starting of the ERP, and despite several reviews at local and central levels, insufficient assurance towards segregation of duties remains. Automated checks to detect conflicts in roles and inappropriate transactions are not yet in place.

Incidents management for Cloud ERP

The Board reviewed the IT incident management since the Cloud ERP system went live in September 2023 and observed a particularly high number of incidents, especially related to travel processes (persisting into April 2024) and user access management (notably in October 2023), with finance processes being less affected.

In addition, the Service Level Agreement for system maintenance, which was supposed to be implemented in early April 2024, was not enforced.

Information and technology security management

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

The management of budget processes

Budget preparation, planning and appropriation

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

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

Resource mobilization

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

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

Budget implementation

To implement the budget, an annual target, called the "operating level", is set at the beginning of the year and constantly updated by the High Commissioner. It represents, at any given time, the maximum amount of commitments and payments that can be incurred until the end of the fiscal year. An automated internal budget control is designed to ensure that, at the level of each operation and within each budget category, no commitments can be incurred in excess of the available operating level amounts. But this system does not integrate the resource limits set by UNHCR Financial Rule 501.3, which have to be periodically followed up separately to check compliance.

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

Executive Committee on budget implementation, although compliant with governance requirements, could be strengthened.

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

Accountability on budget management and reporting on performance

Reporting to donors, although built after the actual spending, reflects their requirements. The funding allocation to expenditure is until now manually undertaken by UNHCR. Covering support and administrative costs, as well as expenses toward less attractive regions can be challenging given the earmarking requirements. Until the new ICT tools are in place, the manual processing of voluminous results-based data is time and resource intensive.

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

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

The management by UNHCR of large camps

Strategy and knowledge of large camps

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

Alternatives and exit solutions to large camps

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

Registration processes

The registration processes in the large camps suffer from a number of weaknesses. The registration procedures remain fragile and vulnerable to fraud risks, resulting in unequal effectiveness. This makes it difficult to know the number of forcibly displaced people living in the camps and to assess their needs. In this regard,

improving inter-operability in operations where data is exchanged between UNHCR and other entities such as the World Food Programme, appears to be key.

Needs assessment and expenditure

The specific needs of large camps are not specifically isolated in the budget development process, nor their expenditure in the implementation phase, even if some of the goods and services identified are obviously requested for camps. As a result, this makes comparison between the cost per refugee in camps and outside camps challenging, although the gap can be significant in countries where the majority of the refugees live in urban areas.

Governance of large camps, coordination and service delivery

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

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

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

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

Performance and accountability

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

Main recommendations

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

Finance

Processing of implementing partners' financial reports

- (a) achieve a level of processing of financial reports from implementing partners at least as high as it was the case in the previous ERP system at the comparable time within the annual reporting cycle;**

Overview of the uninvoiced receipts at year-end

- (b) implement for the next financial year an automated report within Cloud ERP that enable to control at entity level all uninvoiced receipts that are accrued at the end of the reporting period;**

Automation in Cloud ERP

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

Weaknesses in user's rights and access management for Cloud ERP

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

Incidents management for Cloud ERP

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

Information and technology security management

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

The management of budget processes

Budget preparation, planning and appropriation

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

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

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

Resource mobilization

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

Budget implementation

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

Accountability on budget management and reporting on performance

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

The management by UNHCR of large camps

Strategy and knowledge of large camps

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

Alternatives and exit solutions to large camps

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

Registration processes

(n) improve registration processes in large camps, including by: (i) reviewing the Guidelines on Registration and Identity Management in order to foster a continuous registration approach in a one year cycle and to set verification schedules in case this approach is not feasible; (ii) reinforcing capacity building and support on anti-fraud procedures and ensuring a full application of the new policy and procedures on Addressing Fraud Committed by Forcibly Displaced and Stateless Persons, including the nomination of fraud local points where

required; and (iii) implementing inter-operability gateway in all operations where data is exchanged between UNHCR and the World Food Programme;

Needs assessment and expenditure

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

Governance of large camps, coordination and service delivery

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

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

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

Performance and accountability

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

Follow-up on previous recommendations

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

Key facts

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

A. Mandate, scope and methodology

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

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

3. The Board of Auditors audited the financial statements of UNHCR and reviewed its operations for the financial year ended 31 December 2023 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations of the United Nations, the financial rules for voluntary funds administered by the United Nations High Commissioner for Refugees and, where applicable, the Financial Regulations of the United Nations, as well as the International Standards on Auditing and the International Standards of Supreme Audit Institutions providing guidelines for the financial audit of public sector entities.

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

¹ The total number of forcibly displaced people (114 million) is an estimate and encompasses refugees, asylum-seekers, other people in need of international protection and internally displaced persons. It includes refugees and other displaced people not covered by the UNHCR mandate and excludes other categories such as returnees and non-displaced stateless people.

Programme (BTP) solutions, including the implementation of a new ERP system which serves as a core pillar for the preparation of the statements.

5. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of UNHCR as at 31 December 2023 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4 and ST/SGB/2013/4/Amend.1) and the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.12). The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

6. The Board also reviewed UNHCR operations under United Nations financial regulation 7.5, which entitles the Board to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of operations. The Board has commented, among other things, on finance, budget and large camps management.

7. During the course of the audit, the Board visited UNHCR headquarters in Geneva and the Global Service Centre offices in Budapest. The Board audited seven country offices located in Algeria (remotely), Mauritania, Jordan, Rwanda, Uganda, Tanzania, Bangladesh, and the Regional Bureau for Middle East and North Africa. 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. Follow-up on previous recommendations

1.1 General overview

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

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

Table II.1
Status of implementation of previous recommendations

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

Source: Board of Auditors.

1.2. Implementation of recommendations linked to the 2022 audit

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

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

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

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

2. Financial overview

14. Net assets decreased by 17 per cent, to \$3,200.2 million, in 2023 (2022: 3,869.5 million). Accumulated fund balances and reserves amounted to \$3,116.1 million (2022: \$3,854.1 million) and included cash and investments of \$2,018.3 million (2022: \$2,307.4 million).

15. Overall, the key financial indicators have decreased significantly owing to a decrease in assets and an increase in liabilities, but remain at a robust level. The Board's analysis of the key financial ratios demonstrates that UNHCR meets all its liabilities (see table II.2).

Table II.2

Ratio analysis

Description of ratio	31 December 2023	31 December 2022	31 December 2021	31 December 2020	31 December 2019
Current ratio ^a (current assets / current liabilities)	5.1	8.3	8.0	9.0	7.9
Total assets / total liabilities ^b	2.7	3.6	2.6	2.6	2.7
Cash ratio ^c (cash + investments / current liabilities)	2.4	4.4	4.2	4.3	3.7
Quick ratio ^d (cash + investments + short-term accounts receivable / current liabilities)	3.9	6.8	6.7	7.6	6.7

Source: UNHCR financial statements.

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

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

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

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

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

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

18. Main expense decreases pertained to cash assistance to beneficiaries (-\$156.5 million), and supplies and consumables for beneficiaries (-\$105.3 million). In the meantime, salaries and employee benefits increased by \$87.7 million and amounted to \$1,498.9 million. The main decreases in cash assistance to beneficiaries were in Poland (\$99.7 million), Afghanistan (\$50.7 million), Iraq (\$28.0 million) and Lebanon (\$26.6 million). The overall decrease was partially offset by increases in Moldova (\$24.7 million) and Pakistan (\$21.9 million). The decrease in supplies and

consumables by \$105 million in 2023 was driven by decreases of \$94 million in medical and hygiene supplies and \$26 million in bedding materials. The increase in salaries and employee benefits reflects scheduled salary increases, increases in temporary assistance costs and higher costs for unconsumed annual leave balances, partially offset by lower costs for after-service health insurance.

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

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

Table II.3

Monetary contributions by type of earmarking in 2023 and 2022

(Millions of United States dollars)

<i>Type of earmarking</i>	<i>2023</i>	<i>2022</i>	<i>2023 (percentage)</i>	<i>2022(percentage)</i>
Earmarked	2 264.6	2 428.1	51.2	42.0
Tightly earmarked ^a	878.9	949.6	19.9	16.5
Softly earmarked ^b	694.3	1 619.5	15.7	28.1
Unearmarked	588.4	777.3	13.3	13.5
Total monetary contributions	4 426.2	5 774.5	100	100

Source: UNHCR financial statements.

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

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

3. Finance

a) Processing of implementing partners' financial reports

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

22. In accordance with its financial rule 509.2, UNHCR may implement its programmes directly or through implementing partners. A "funded partner" is an entity to which UNHCR has entrusted the implementation of projects specified in a signed and standard partnership document or grant agreement along with the assumption of full responsibility and accountability for the effective use of resources

and the delivery of outputs as specified in such a document. Funded partners may be governmental, intergovernmental, or non-governmental entities, UN organizations, or other non-profit organizations and the funds are made available for one financial year.

23. In order to implement their projects, funded Partners receive an advance in accordance with UNHCR risk assessment, and as agreed in their partnership agreements and work plans. Such advance instalments are accounted for by UNHCR as prepayments within the “other current assets”, and are offset against “Partnership expenses” at the time they are reported by partners and the reports are verified by UNHCR. Implementation by partners and their related expenses are monitored and reported through standard “Project Financial Reports (PFRs)” submitted by partners as agreed in the project workplans. A minimum of three PFRs must be provided annually: mid-year, interim, and year-end. Although each operation is responsible for setting specific deadlines for each reporting component, the following deadlines must be met as per the administrative instruction: interim project financial report (IPFR) by 10 December and end-project financial report (PFR) by 15 February. These reports must be verified² and processed by the end of the same month into the system. Unless a derogation is granted by UNHCR to allow the partner to continue and finalize implementation in the following period, any unused prepayment balance from a partner whose end-project financial report has been submitted and validated should be refunded to UNHCR, and therefore the remaining portion of the prepayment is converted into a receivable. At year end, an estimate of unreported partners expenses is accrued to reflect the actual cost incurred in the financial statements.

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

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

² PMC02 & PMC03.

Table II.4
Interim and final project financial reports status

<i>Interim PFRs</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>Jan</i>	<i>Grand total</i>
Submitted	161	1113	736	60	2070
Completed	45	725	965	282	2017
<i>Final PFRs</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>Grand total</i>	
Submitted	239	694	389	1322	
Completed	0	0	0	0	

Source: Board of Auditors.

26. UNHCR justifies the delays in submission and processing by a series of Information and Technology limitations arising from the implementation of Cloud ERP and PROMS. Following the 2-month freeze (August and September 2023) of PFR processing in MSRP allowing the data migration and go-live of Cloud ERP, the next PFRs processing were possible in October 2023 after setting up of a Central Stabilization Team under the Division of Financial and Administrative Management to support processing the PFRs. However, the temporary Cloud ERP solution for accounting for 2023 PFRs was not provided in time and required several enhancements to become operational, both in terms of the template used and the semi-automation of the process, which remained highly manual compared to the volume of PFRs to be processed. UNHCR made the strategic decision to prioritize the year-end processing of 2023 prepayments to partners with its limited available human resources to the detriment of the timeliness of financial reporting of 2023 transactions from the partners resulting in a significant backlog of interim PFRs compared to the historical processing timelines.

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

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

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

30. The Administration accepted the recommendation.

b) Overview of the uninvoiced receipts at year-end

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

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

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

34. The Board and DFAM considered that it should be possible, albeit cumbersome, to reconstitute the total open items from the Business Unit (BU) level and preferred to obtain reasonable assurance over this year-end accrual, by performing a risk-based review of uninvoiced receipts in 2023.

35. The Board is of the view that this current technical limitation may result in an increased risk of material misstatements not detected by the Global Accounts Payable team controls.

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

37. The Administration accepted the recommendation.

c) Automation in Cloud ERP

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

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

40. Cloud ERP went live only four months (September 2023) before the financial closure, and a number of functions were not yet fully implemented by year-end and during the period in which the closure activities were performed. As a result, DFAM and Operations had to manually process and estimate a higher proportion of UNHCR

financial statements aggregated transactions and balances than in the previous financial period. While recognizing the challenge that implementing a new system represents, the Board identified processes where automation is relevant for financial reporting purposes and reviewed the status of functionalities.

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

- Accounts payable with the integration from source systems of 70 per cent of 2023 transactions as well as certification and approval workflows, including automatic holds and releases when discrepancies are detected;
- Digitalized cash replenishment requests for cash management from local offices;
- Centralized approval for commercial suppliers and auto-creation and update of workforce master data for suppliers;
- Self-service staff advances and reimbursement platform;
- Tax engine for VAT management.

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

- Automated creation and application of receipts for accounts receivable through the new e-banking solution;
- Cash management auto-reconciliation and digital bank connections in order to increase the number of transactions processed within Digital Hub of Treasury Solutions (DHoTS);
- Self-service travel solution, including management of approval workflow and fund checking mechanism;
- Streamlining the chart of accounts and the automation of the sub-ledger workflow, with some enhancements still required to achieve full operational effectiveness;
- Partners transactions with PROMS in 2024 and the decommissioning of temporary executable (semi-automated) solution used for processing the 2023 PFRs.

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

- The financial reporting platform to support the preparation of the financial statements;
- A transaction account builder for Accounts Payable which is expected to automate the derivation of accounting distribution based on PTEO³ information;
- An advanced system controls enabling automated review of system access rights and complex business processes which should highlight risk areas and automatically flag relevant transactions for review;
- The self-service personal bank account management tool for suppliers;
- The full automation of integrated payment and scheduled deduction from payroll of staff accounts payable and receivables other than salary, which are now recorded in the subledgers and are consolidated and visible to users in one place

³ All transactions in Cloud ERP must be recorded with Project, Task, Expenditure Type and Expenditure Organization information which replaced MSRP chartfield combinations.

instead of being recorded only in multiple general ledger accounts as was the case previously;

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

44. The Board also identified that:

- For voluntary contributions (\$4.5 billion) the new module was not used for financial year 2023, as it was designed for IPSAS 47 “revenue”, which is expected to be adopted in 2024. Therefore, manual adjustments had to be made for the 2023 financial reporting under IPSAS 23;
- The Funding Allocation Engine (FAE), that should automatically match actual expenditures with contributions depending on their earmarking, was not implemented and fund allocation was processed manually in 2023.
- Freight cost calculation and capitalization for inventories were also manually processed and should be automated for 2024 financial reporting.

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

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

47. The Administration accepted the recommendation.

d) Weaknesses in user’s rights and access management for Cloud ERP

48. User access management in Cloud ERP shows weaknesses due to insufficient preparation before go-live, resulting in numerous incidents after go-live. More than 6 months after go live of Cloud ERP, and despite several reviews at local and central levels, insufficient assurance towards segregation of duties remains. Automated checks to detect conflicts in roles and inappropriate transactions are not yet in place.

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

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

51. To support this process in Cloud ERP, UNHCR developed a new Delegation of Authority and Role Provisioning (DOARP) framework and issued an implementation note in mid-September 2023 just before the go-live. This note was reviewed after the go-live in mid-November 2023 to reflect lessons-learned.

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

Customs roles creation, upload of roles before go-live

53. The initial project planned to use standard roles from the software provider. After testing extensively the standard roles, the need to design custom roles was decided but such roles could not be tested thoroughly in time for go-live. The Board's analysis of all roles used in Cloud ERP in January 2024 showed that the majority (64 per cent) of roles were not the standard software vendor roles and were therefore customised by UNHCR (115 different custom roles compared to 63 different standard software vendor roles used). To set up the initial user's access rights in Cloud ERP, the project team provided a proposal for system roles based on the previous system roles in MSRP, even if the user access management philosophy of the two systems (the legacy and the new system) is quite different. These were reviewed by DFAM and implemented shortly before the go-live.

54. DFAM issued its first note providing guidance on the implementation of roles in Cloud ERP on 17 September 2023, just before the new Cloud ERP went live. Through this guidance, offices were given instructions on how to organize and request for their access roles. The period after go-live was considered as a transition period to allow all operations to understand the system, and check the assigned roles as per the instructions given and identify any issues related to access roles that may have not been explained in the Implementation Note.

55. The user's access rights set up in the new system were inadequately prepared prior to go-live: late implementation of custom roles and insufficiently tested, timeframe for issuing the first DOARP guidelines. As a result, numerous incidents related to user access rights occurs after go-live.

Delegation of Authority and Role Provisioning in Cloud ERP, change request forms, and reviews

56. Based on the post go-live experience, DFAM issued an update to the implementation note on 8 November 2023, providing additional details on roles assignment and establishing a more standardized way to request changes in role assignments using the DOARP change request form (see above). However, there is no segregation of duties matrix in the document (the complexity of the new system does not allow the production of such document in a readable format), but only recommendations on the importance of avoiding giving creation rights and approval rights to a single user. The principles of the segregation of duties are highlighted in the DOARP Change Request form; for each role, there is a comment on the segregation of duties (SOD) that needs to be implemented. These forms have to be filled locally and are managed centrally by a dedicated Division of Information Systems and Technologies (DIST) team via the centralized Service Portal.

57. Cloud ERP role focal points (319 persons had this role as of April 2024) have been designated at the appropriate level in UNHCR organization to manage roles. They are also responsible for conducting periodic reviews based on specific DOARP reports. In the last quarter of 2023, all the countries had to perform roles assignment reviews, and the results were verified by DFAM and transmitted to DIST team for correction. However, the whole process was completely manual. The quality of the review depends on the expertise of the Cloud ERP role focal point, and on the expertise of DFAM in order to detect conflicts between roles. But it is also based on the correct description of the roles defined in the system. Indeed, a role set up allows to assign different privileges. This situation makes it difficult to detect conflicts between roles because any conflict must be detected at the privilege level and not only at the role level.

58. It is also difficult to detect centrally inappropriate role assignments. For instance, the Board noticed that 7 users had the following role "Access Request Security Administrator": 3 users from DIST which is normal, but 4 users were from

Business Unit Costa Rica. Such error was not detected during the local reviews, but only corrected later.

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

Current users access management

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

61. This large number of roles (6 roles are automatically assigned to all employees) and security context values makes maintenance difficult for the reduced DIST team in charge of user access set up in the system. This was particularly problematic during the post go-live period when many user access incidents had to be managed, but it was also very sensitive in January 2024 (and it will be probably the same in July 2024) as this is the period of major moves for the UNHCR employees.

62. In April 2024, DIST reviewed the process in order to reduce the number of actions to assign roles to some users, by using the concept of “typical functions”, that embeds a combination of several roles (for instance, for the typical function “PO Preparer”, 14 roles are assigned to this function); auto-provision the roles to users when they move.

Advanced access control, and advanced financial controls, and advanced audit controls

63. Cloud ERP system allows to implement different types of controls:

- Advanced Access Controls to identify users with sensitive-access and segregation-of-duties conflicts. Each UNHCR users has been assigned a combination of roles whose authorizations create the potential for fraud or significant error,
- Advanced Financial Controls to detect fraud, error, and other risks in transactions already completed,
- Advanced Audit Controls to detect atypical changes in the systems such as multiple bank accounts change or operations during the week-end.

64. The development and deployment of automated controls started very late at the beginning of 2024; after the priority was given to the stabilization of the system, after go-live. In April 2024, 2 controls were under implementation (not yet “active”) to detect users who can create invoices and approve payable invoices (control 5800) or users who can create payments and approve payable invoices (control 5810). The results (several thousand users) were under analysis to decide whether these controls need to be implemented as active controls, as there is a risk of detecting “false positives”. In addition, 2 advanced financial controls were tested to detect duplicate invoices. The results were also under analysis by DFAM. Decisions had to be made to decide on how to proceed if such an error occurred. For the advanced audit controls, 11 are standard in Cloud ERP but there are not yet in use.

65. Despite of the recommendation of the Board in April 2023, controls to detect incompatible role combinations or inappropriate transactions in the system have not been yet implemented. In this context, it is difficult for UNHCR to mitigate the risks of frauds or errors due to inappropriate role combinations. In addition, there is

another project to detect inappropriate combination of user rights between different systems (Cloud ERP, COMPASS, Synergy, PROMS, etc.), but it has just started.

66. **The Board recommends that UNHCR strengthen user's rights and access management for Cloud ERP by: (i) performing a review of all users with privileged roles; (ii) activating automated advanced access controls to detect inappropriate role combinations; (iii) implementing advanced financial controls and developing procedures to clear inappropriate transactions; and (iv) using advanced audit controls to track atypical use of the ERP.**

67. UNHCR accepted the recommendation.

e) Incidents management for Cloud ERP

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

69. This audit is based on the Control Objectives for Information and related Technology (COBIT) repository, which identifies best practice in terms of governance and IT audit.

70. The Board reviewed Cloud ERP incidents management over the period 18 September 2023 to 31 March 2024.

Incident management organization and process

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

72. Level 1 and level 2 incidents are functional incidents which are managed by the "business" (travel team, supply chain team, finance team, etc.). If the incident requires a technical solution, the ticket is escalated to level 3 (L3) and resolved either by the external team in charge of system maintenance or by software provider team if a technical evolution of the system is necessary.

73. Access management incidents are handled separately by an internal team from the Division of Information System and Technologies (DIST). However, in April 2024, the Board noted that no Service Level Agreement with the external team for system maintenance was in place, even during the "stabilization phase", which lasted six months after the launch of the system.

Incident categorization

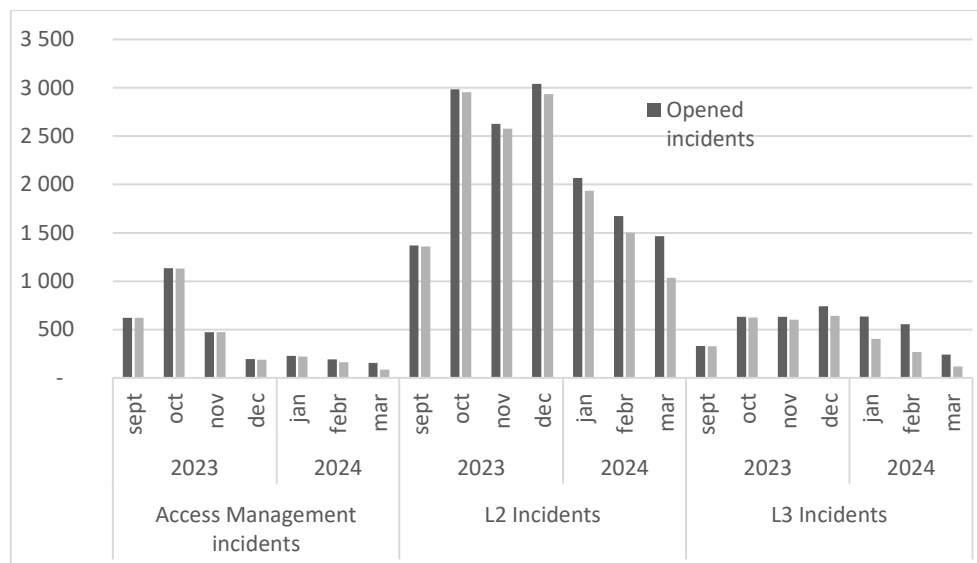
74. Each incident is categorized according to its impact (high, medium or low) and urgency (high, medium, low). The combination of the two criteria gives the priority of the incident (1-Critical, 2-High, 3-Medium, 4-Low, 5- Very Low). In the classification used by UNHCR, the critical priority should be used when the system is stopped and an urgent solution is needed to get it back up and running. However, during the stabilization phase, "critical" was inappropriately used to highlight which incidents needed to be resolved as a priority.

75. In addition, the Board noted that the Middle East and North Africa (MENA) warehouse (regional inventories) in Gaziantep has been affected by an IT issue since September 2023. It seems that the incident was caused by an incorrect cost centre mapping of the warehouse. As a result, transactions were rejected by Cloud ERP, and the local staff had to pull out manually each item in response to the Libyan crisis and

wait for a solution (i.e. the creation of a new cost centre). As of January 2024, the warehouse was not functioning properly since ERP went live; and the DOARP form (in order to give the appropriate rights to access the warehouse functions in Gaziantep) had yet to be completed. This incident was initially considered as low priority even though it was critical to MENA, and in April 2024, the local DOARP form was still not properly completed.

76. The Board is of the view that it is difficult to manage incidents in this context if the correct categorization is not applied. Some incidents that require urgent action can be resolved late and those that are not a priority can be resolved first. However, UNHCR highlighted that appropriate classification should be used once the volume of incidents has reduced to a normal situation.

Figure II.1
Number of incidents over time



Source: Board of auditors.

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

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

79. As of 31st March 2024, most of the incidents were closed, but there were still 778 level 3 open incidents, 936 level 2 open incidents, and 118 “access management incidents”. At the end of March 2024, 15 “critical” and 192 “high” incidents remained open, most of which related to the travel process (91 per cent), followed by finance (3 per cent), supply chain (2 per cent) and user access management (1.5 per cent). The incidents related to the travel process represent a large majority and need to be addressed, the number of tickets created each month is decreasing but remains high.

80. The Board carried out the same analysis with user access management and observed a peak of incidents in October 2023. Since December 2023, the number of open tickets stabilized. In addition, the Board reviewed with DIST a sample of 6 “L3” incidents and 6 “user access management” incidents which were still open at the end of March 2024. The Board analysed DIST response and noted that: 5 incidents (out

of 12) were closed in April 2024, 3 incidents were still open because the user's validation was requested for closure, which was missing, 2 incidents had been reassigned from level 3 to level 2 (business side). This illustrates the importance of assigning each incident to the appropriate level and the 2 remaining incidents of the sample were still open and assigned to the correct level but had a low impact.

81. The Board considers that the incident management process is well implemented globally but needs continuous improvement by regularly updating the status of the incidents. However, the stock of incidents remains significant and there are no short-term perspectives to reduce it, particularly for travel process issues.

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

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

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

f) Information and technology security management

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

86. The Board reviewed the cloud services security management of the new Cloud ERP system, especially as the corresponding risks and business continuity plans are now managed by the suppliers which appeared to be secured appropriately. The Board also reviewed the global internal security of UNHCR on the basis of the new information security policy validated in February 2023.

87. With the achievement of the Business Transformation Programme at the end of December 2023, UNHCR's information system is now fully supported by cloud services, which resulted in new risks for UNHCR in terms of security and continuity for its applications. The service providers must provide enough assurance to UNHCR in terms of security and continuity of its systems by transmitting documents on a regular basis such as the System and Organization Controls report or recovery plan and related tests. The Board reviewed the risk mitigation measures applicable to the new IT environment.

88. In addition, to reinforce its internal Information and Technology security, UNHCR validated a new security policy in February 2023. The document details UNHCR's commitment to information security and, in particular, the protection of the confidentiality, integrity, and availability of all electronic and physical information assets created, used, handled, or controlled by the organization. It has led to numerous actions by the chief information security officer (CISO) to enhance UNHCR's information system's security such as the designation of information security focal points throughout all the UNHCR entities (local and regional).

Cloud ERP's security (SOC) and business continuity (recovery tests)

89. The Board reviewed Cloud ERP's 2023 security reports and did not identify any exceptions nor breaches since the system went live in September 2023. Therefore, the Board is of the view that vendor's services are well secured and reliable for UNHCR.

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

UNHCR's global security management

91. The Board reviewed UNHCR internal security managed by the CISO and his team. The UNHCR's security is managed by a Security Operation Center (SOC), which operates 24/7 and supervised by a CISO. The SOC is managed by a service provider which performs incident investigation, response and remediation. UNHCR uses tools for log collection and correlation, alert generation, incident detection, triage and investigations including a special Endpoint Detection and Response (EDR) client on every desktop and physical and virtual server; also integrated end-to-end with cloud and on premises tools. Every security incident is tracked in ServiceNow, the ticket management tool. The database is then used by the CISO to feed an incident dashboard, that helps monitoring. In February 2023, following multiple recommendations from internal and external auditors in the last years and after a two-years preparation, a new policy on Information Security was approved by UNHCR, in order to reinforce the internal ICT security.

92. The information security organization was described in this document. In particular, information security focal points (also called "cybersecurity focal points") had to be designated in each UNHCR entity to manage, communicate and coordinate information security matters. During 2023 4th quarter, the CISO created a self-assessment questionnaire in order to evaluate whether country operations, regional bureau, and headquarters divisions (including DIST) comply with UNHCR security standards and requirements. 95 SAQs were issued to medium and high-risk countries, regional bureaux, functions and headquarters entities to evaluate their IT security maturity.

93. 94 out of 95 SAQs were completed by the end of January 2024; resulting in 68 entities with strong or satisfactory compliance, 15 with moderate compliance and 11 with low compliance. The detailed analysis of the results showed several critical breaches (use of unsecured registration PCs, installed cracked software, no change of password on local printers, key applications with no segregation of duties, generic/admin accounts used to perform transactions, applications with no encryption of confidential data, contracts no reviewed by the CISO team before signature, etc.). Although the responses were variable and probably under estimated since they were self-assessed, this SAQ process provided a good overview of the current situation and showed the necessity to implement an action plan to mitigate most of the risks identified.

94. The CISO also requested to the information security focal points to compile "the application inventory list" in a specific Excel file (with multiple information required) on all the custom and local applications used in operations. The due date was initially end of March 2024 but was postponed to the 15 April 2024. However, the Board could not obtain the results of this inventory on time. In addition, the Board identified a weakness towards "phishing campaigns", even though results improved in 2023 compared to 2022, the number of users caught by a phishing campaign is still too high.

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

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

g) Implementation of IPSAS 41, financial instruments

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

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

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

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

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

4. The management of budget processes

102. The Board audited the management of the budget process at UNHCR. Main observations and recommendations concern: budget preparation, planning and appropriation (see sect. 4.1); resource mobilization (see sect. 4.2); budget implementation (see sect. 4.3); and accountability on budget management and reporting on performance (see sect. 4.4).⁴

4.1. Budget preparation, planning and appropriation

103. The “programme budget” approved by the Executive Committee is needs-driven and represents around twice the actual funding of UNHCR (see sect. 4.1.1). It presents several limits, resulting notably in the fact that it currently represents around twice the actual funding of UNHCR (see sect. 4.1.2).

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

4.1.1. The “programme budget” approved by the Executive Committee is needs-driven

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

105. The “programme budget” (or “comprehensive budget” for the programmes to be implemented through impact areas as in financial rules 104.6 (r)) is approved annually by the Executive Committee of the Programme of UNHCR⁵ (hereinafter, the Executive Committee). It is based on an assessment of the needs, rather than on estimated revenue, i.e. it is needs-driven, rather than resources-driven. It includes an operational reserve (rule 104.6 (r)). Improvements of the new results-based framework and of the COMPASS tool do not resolve the funding gap between needs and actual funding, and the complexity and diversity of approaches adopted by the various stakeholders make it challenging to assess needs in a relevant and accurate way.

106. The general rules applicable to UNHCR budget are the UN Financial Regulations, notably Articles II (budget) and V (utilisation of funds), complemented by UNHCR Financial Rules, as amended in 2022.

107. At the initiative of UNHCR’s management, the Executive Committee endorsed a proposal in 2021 to request the United Nations General Assembly to authorize the High Commissioner to promulgate financial regulations addressing the specific needs of UNHCR. This project was grounded on the rationale that the United Nations Financial Regulations were designed to provide guidance for an organization funded by assessed contributions, whereas UNHCR is funded by voluntary contributions. However, the process of seeking the approval for UNHCR to establish its own financial regulations was concluded without having secured a decision from the General Assembly, and UNHCR remains subject to the UN financial regulations. The Executive Committee, within the limits of its prerogatives, approved a revision of the financial rules in 2022 to better adapt them to the specific needs of UNHCR⁶.

108. UNHCR’s Financial Rule 501.1 states that “*The UNHCR programme budget approved by the Executive Committee shall constitute an authorization to the High Commissioner to incur commitments and make payments, for the intended purposes and up to the amounts so approved*”. By approving each year the “programme budget” proposed by the High Commissioner, the Executive Committee indirectly sets the maximum funding level that the High Commissioner is authorized to raise. It also limits the maximum number/type of positions authorized to carry out the mission entrusted to UNHCR.

109. The “programme budget” for the year ‘Y’ is also called by UNHCR the “operations plan budget”, as it is based on plans prepared (or adjusted) by country operations, divisions and entities during the first half of the year ‘Y-1’ and consolidated in May⁷, first at the regional and then at the global level.

⁵ The executive committee of the Programme of UNHCR has been established in 1958 by the ECOSOC at the request of the General Assembly (GA 1166 (XII), 26 November 1957; ECOSOC 672 (XXV) 1019th plenary meeting 30 April 1958). The ExCom functions as a subsidiary body of the General Assembly.

⁶ 72^d session A/76/12/Add.1; 73th session A/77/12/Add.1

⁷ Figure provided to the Executive Committee on the implementation of the current budget are dated May 1st.

110. In practice, more than 99 percent of UNHCR’s resources derive from voluntary contributions – in 2023, only \$44.6 million stemming from the UN Regular Budget funded 220 posts at headquarters.

4.1.2. The “programme budget” presents several limits, resulting notably in the fact that it currently represents around twice the actual funding of UNHCR

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

112. However, the amount of this “programme budget” is much larger each year than the actual UNHCR’s budgetary expenses. As shown in the table below, the actual budgetary funding and staffing during the 2018-2023 period has only represented about half of the budget ceiling approved by the Executive Committee:

Table II.5

Approved and actual expenditure

(Billions of US dollars)

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

Source: UNHCR

113. During the last decade, the number of forcibly displaced and stateless people has increased substantially faster than the “programme budget”, as shown in the following table:

Table II.6

Forcibly displaced and stateless people versus Programme Budget

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Forcibly displaced and stateless people (million)	42,9	54,9	63,9	67,4	71,4	74,8	86,5	91,9	94,7	112,6	126,3	130,8
Needs-driven “programme budget” \$billion	5,3	6,6	- 7,2	7,5	8,0	8,2	8,6	9,1	9,2	10,7	10,8	10,6
\$/person*	124	120	114	111	111	110	100	99	98	95	85	81

Source: UNHCR.

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

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

116. As a result, UNHCR Financial Rules differ from UN Financial Regulation 5.1 in that they do not provide for a vote on both the appropriation itself (i.e. the existence

of a commitment to fund the budget) and the corresponding authorisation to spend, which is the budget itself. In UNHCR Rule 104.6(b), the authorisation to spend and the appropriation providing the funding are synonymous, and the “approved” appropriations are clearly not based on a commitment to fund the budget⁸.

117. In addition, while the IPSAS 24§8 states that an approved budget reflects “anticipated revenues” and “expenses” and the UN Financial Regulation 2.2 states that a proposed programme budget shall cover “income and expenditure”, UNHCR Financial Rule 202.1 states that the proposed “programme budget” shall cover only “commitments and expenses”, without mentioning any income or revenue.

Strategic alignment

118. According to UNHCR Financial Rule 203.1, the “programme budget” is presented “*along budget components, cost categories and UNHCR’s global results framework*”. The latter is embedded in the COMPASS tool, an ambitious results-based planning, budgeting, monitoring, and reporting system which has substantially modified UNHCR’s planning cycle, framework, budget structure and budget processes. Changes introduced through COMPASS are part of the broader UNHCR transformation agenda, including the regionalization and decentralization policy, the Business Transformation Programme, the 2022-2025 risk management strategy, the human resources strategy and data management strategy. COMPASS has been rolled out progressively in the field, starting with the planning for the 2022 programme cycle. At the time of the Board’s audit, UNHCR operations were mainly implementing the 2023 budget and preparing the 2024 budget in COMPASS.

119. The cycle has been structured in three results-based phases: PLAN for results, GET results and SHOW results. The PLAN phase (strategic planning and budgeting) is anchored in three-to-five-year strategies based on UNHCR Strategic Directions and Global Compact on Refugees (GCR). Multi-year planning has been experienced with pilot operations and has been fully applied from 2023 (mainly covering the period 2023-2025). During the budget planning phase, country operations ensure that their strategy is aligned with the relevant planning frameworks such as refugee response plans, humanitarian response plans, national development plans, and the United Nations sustainable development framework. Operations submit their multi-year strategy, including the financial requirements for each year, to their regional bureaux. Once consolidated, operations plans are approved by the High Commissioner to form the proposed “programme budget”.

Needs-assessment

120. Although financial rules do not specify the basis on which the financial requirements shall be established, the “programme budget” submitted by the High Commissioner to the Executive Committee is based on a needs-assessment and defined as “needs-driven”. The global needs assessment approach has been introduced and presented to the Standing Committee in 2009⁹, as a part of the first results-based management policy of UNHCR¹⁰. The procedure of global needs assessment was deemed to map overall needs more comprehensively, and to present the plans, activities, and resources required to meet those

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

⁹ 45th meeting of the Standing Committee, 29 May 2009, Doc. EC/60/SC/CRP.14 29 May 2009.

¹⁰ The initial results-based management approach includes a global results framework, the RBM tool Focus, the global strategic priorities and the comprehensive needs assessment, as well as a budget structure based on population groups, formerly known as “pillars” (i.e. Global refugee programme, Global stateless programme, Global reintegration projects and Internally displaced people projects).

needs. The needs-based budget was introduced when UNHCR was the main and often the only, support provider to forcibly displaced and stateless people. The needs-based approach allowed member States to have a full picture of the necessary actions to be taken in order to address the needs of forcibly displaced and stateless people (formerly “persons of concerns”).

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

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

- in 2016, UNHCR signed the “Grand Bargain”, an agreement among humanitarian stakeholders, promoted by the World Humanitarian Summit to improve the effectiveness and efficiency of humanitarian aid;
- in 2018, the General Assembly endorsed the Global Compact on Refugees, which calls for a collective and mutual responsibility and provides a framework for more predictable and equitable burden and responsibility sharing.

123. Those changes implied that UNHCR have a consolidated view on the priority needs of forcibly displaced and stateless people, including those covered by other stakeholders, and this led to the present “needs-driven” approach.

124. Since 2009, UNHCR has developed internal guidance on the needs assessment¹¹. Priority needs are reflected in the UNHCR “programme budget”. The guidance defines three notions of needs¹²: total needs, priority needs and UNHCR’s needs-driven requirements:

- Total needs include all needs of forcibly displaced persons in terms of rights and well-being, that are not expressed in budgetary terms;
- Priority needs may be covered by collaborative arrangements, generally designated as “responses”, between local governments, UN agencies, development partners and non-governmental organizations. In principle, priority needs are the only ones that UNHCR has the capacity and mandated to address;
- For UNHCR’ needs-driven requirements, operations are instructed to consider several criteria at the planning stage, including their capacity to implement activities within the budget period, the presence and degree of involvement of other actors and the most cost-effective way of implementing activities. Operations plans take into account UNHCR’s engagement and responsibilities within the inter-agency and national response, when applicable.

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

126. UNHCR guidance requires that budgetary requirements be defined using a bottom-up approach, and the UNHCR operations undertake comprehensive and participatory assessments of humanitarian and protection needs. Most of the tools used for needs-assessment are complex and resource consuming and cannot be used every year. Assessments are conducted based on information needs and depend on operational context, information and resources availability. Tools used are adjusted to the context, however there is room to improve them in order to better assess the

¹¹ This guidance is summarized in the needs-assessment handbook (2017) and the programme handbook (2023).

¹² A fourth concept, UNHCR’s prioritized requirements, based on funds/ total available resources is examined in chapter 4.1.2.

needs. UNHCR recognizes the importance of data to support decision making and recorded it as a major strategic risk.

Supplementary budgets

127. Financial Rule 208.1 states that “*the High Commissioner may, in the case of new needs that cannot be met fully from the approved UNHCR programme budget, approve supplementary budgets for which funds are sought from special appeals to donors*”. As an example, while the Executive Committee approved an annual programme budget 2022 amounting to \$8.993 billion¹³, supplementary budgets amounting to \$1.721 billion were approved to address additional needs in unforeseen humanitarian and protection situations (notably in Ukraine and Afghanistan), which raised the total budget to \$10.714 billion, an increase of 19 percent from the initial approved budget.

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

4.1.3. Way forward

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

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

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

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

133. UNHCR accepted both recommendations.

¹³ A/AC.96/1213/Rev.1

4.2. Resource mobilization

134. The UNHCR funding appears to be globally insufficient, increasingly inflexible and lacking multiyear visibility (see sect. 4.2.1). Funding needs to be diversified to mitigate the current concentration risk (see sect. 4.2.2).

4.2.1. The UNHCR funding appears to be globally insufficient, increasingly inflexible, and lacking multiyear visibility

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

Structure of funding

136. In addition to the allocation from the regular budget of the United Nations, UNHCR receives voluntary contributions from three categories of donors: the public sector, which includes governments, intergovernmental institutions; the private sector entities (companies, individual philanthropists, foundations) and national partners;¹⁴ and the United Nations cash pooled funds¹⁵. From 2020 to 2023, the share of public sector contributions has decreased by 4 percent and the one of private sector has increased by 35 per cent, reaching 15 per cent in 2023), particularly those raised by UNHCR national partners¹⁶. The share of UN cash pooled funds has also increased by 48 percent (see table below).

Table II.7

Funds available by source

(Millions of United States dollars)

Donor Type	2020	2021	2022	2023	2023/2020
Government	3,526	3,574	4,120	3,636	3%
Intergovernment	532	337	260	265	-50%
National partner	277	365	825	426	54%
Private sector	261	261	421	299	14%
UN pooled funds	141	100	183	209	48%
UN Regular budget	40	43	42	45	11%
Total	4,776	4,680	5,851	4,880	2%

Source: UNHCR.

Funds received against needs assessed

137. The difference between the financial requirements expressed in the needs-driven “programme budget” and the funds available is high, with a funding gap of over 40 percent and even tending to increase, reaching 53 percent in 2023 (see table and figure below).¹⁷

¹⁴ UNHCR national partners are non-governmental entities which carry out advocacy and fundraising at national level. They exist in Argentina, Australia, Germany, Japan, Portugal, Spain, Sweden, Switzerland, the United States and the United Kingdom.

¹⁵ In 2023, UNHCR received funding from 22 UN pooled funding mechanisms, including 12 multi-donors funding mechanisms managed on behalf of the UN Secretary-General and representing 4 percent of 2023 funding.

The three most important contributors (multi-donor mechanisms) accounting for 75 percent of the total were the Central Emergency Response Fund (CERF), Country-based pooled funds and Education cannot wait.

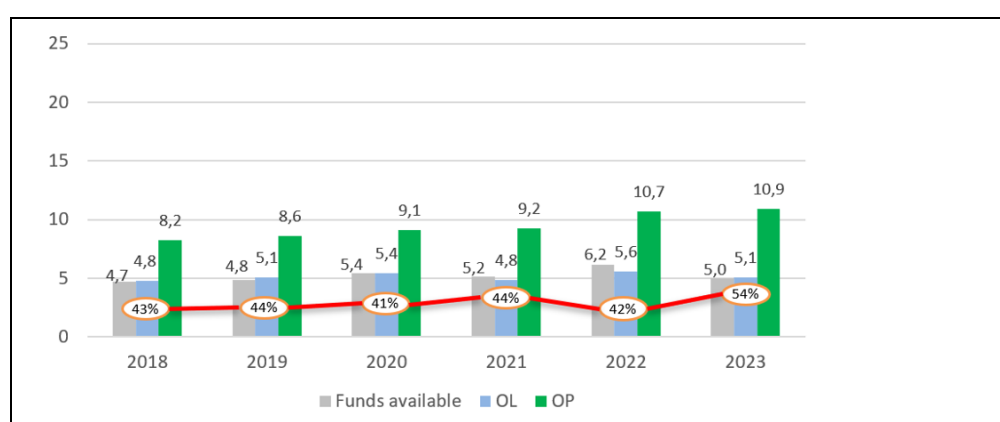
¹⁷ The increase of the OP during 2022 is mainly due to additional budgets totaling \$1,710 million, including \$1,710 million for Ukraine, \$233 million for Afghanistan and \$59 million for Cameroon.

Table II.8
Funding gap
 (Millions of United States dollars)

	2018	2019	2020	2021	2022	2023	2024
Needs-driven « programme budget » (a)	8,220	8,636	9,131	9,247	10,714	10,800	10,622
Funds available (b)	4,710	4,826	5,403	5,153	6,180	5716	TBD
Actual expenditure	4,226	4,415	4,837	4,917	5,607	5,166	TBD
funding gap (1-b/a)	43%	44%	41%	44%	42%	53%	TBD

Source: A/AC.96/74/5 - * at 31 May 2023 ** initial budget.

Figure II.2
Funding gap
 Millions of United States dollars)



Source: UNHCR.

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

Table II.9
Funding gap by region in 2023
 (Thousands of United States dollars)

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

Source: UNHCR.

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

140. UNHCR recognizes the strategic risk of “*insufficient quality funding to meet the critical minimum needs of people forced to flee*”. UNHCR has also defined a category of operational risks called “external engagement and resources mobilization”, which includes a risk called “donor relations and resource mobilization”¹⁸. Efforts are put in place to address risks related to funding and donor relations, in a context of declining humanitarian funding, which is becoming more critical.

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

Funding flexibility

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

143. UNHCR observes a trend on three points:

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

144. UNHCR considers that flexible funding includes both unearmarked and “softly earmarked” contributions, i.e. contributions that can be used across a region, sub-region, or situation. As described in more detail further, flexible funding¹⁹ is temporarily allocated and reallocated several times during the year (before final reporting to donors) and is considered of critical importance by UNHCR. In 2022 UNHCR allocated a quarter of its flexible funding, i.e. \$462 million, to twelve underfunded operations, which allowed to cover a quarter of their annual expenditure. In Chad and South Sudan, the use of flexible funding was even higher, accounting for more than 30 percent of the expenditure.²⁰

145. Non-flexible funding includes earmarked contributions, which *are* dedicated to a specific country, without further restrictions, and “tightly earmarked” contributions²¹, which are restricted to a specific project or sector within a country. Non-flexible funding limits UNHCR’s ability to align resource allocation with needs and priorities.

146. In 2023, flexible funding is at a historically low level, with its share falling to 35 percent compared to 52 percent in 2012 (see figure below).

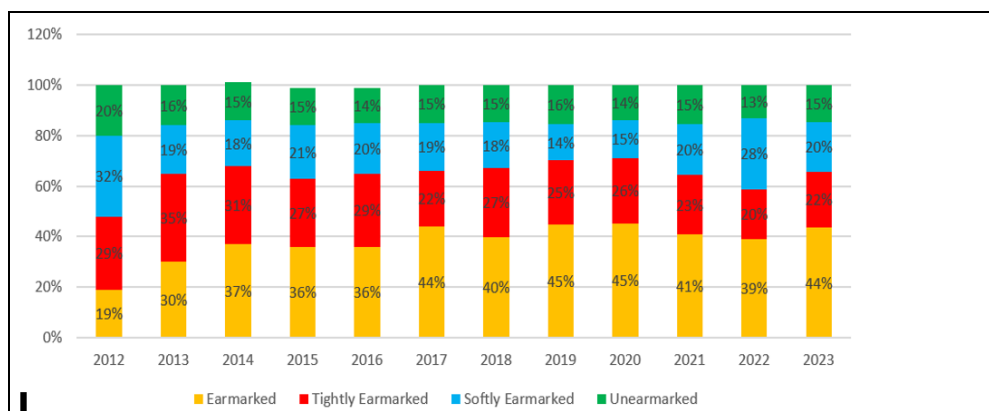
¹⁸ Risks and opportunities in interactions between UNHCR and its donors at different levels. It includes activities such as fundraising, donor reporting and demonstrating the impact of UNHCR’s work, communications and working relationships with donors, and terms of donations such as earmarked contributions.

¹⁹ <https://reporting.unhcr.org/dashboards/flexible-funding>

²⁰ Source: report "The implications of underfunding UNHCR's activities in 2023" June 2023.

²¹ Tightly earmarking also includes contributions in kind and Junior professional officers.

Figure II.3
Evolution of funding flexibility



Source: UNHCR

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

Table II.10
Funding flexibility by region
(Millions of United States dollars)

	2022			2023		
	Operating Level a	Earmarked funding b	b /a	Operating level a	Earmarked funding b	b/a
Middle East and North Africa	1,147	1,043	91%	995	829	83%
East and Horn of Africa and the Great Lakes	953	720	76%	811	660	81%
Europe	1,145	657	57%	1045	660	63%
Asia and the Pacific	722	499	69%	572	459	80%
West and Central Africa	444	291	66%	455	333	73%
The Americas	373	294	79%	354	381	108%
Southern Africa	216	134	62%	181	144	80%

Source: UNHCR

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

Table II.11
Highest unearmarked contributions
(Millions of United States dollars)

	2022			2023		
	Donor	Funding	As % of unearmarked funding	Donor	Funding	As % of unearmarked funding
1	Sweden	99.3	13%	Sweden	85.2	12%
2	España c ACNUR	77.4	10%	España c ACNUR	79.0	11%
3	Norway	72.5	9%	Norway	63.1	9%
4	Priv donors Japan	62.1	8%	Japan for UNHCR	57.3	8%
5	USA for UNHCR	40.5	5%	France	42.6	6%
6	United Kingdom	40.1	5%	United Kingdom	41.0	6%
7	Private Donor Korea,	37.5	5%	Private Donor Korea	36.7	5%
8	Netherlands	37.2	5%	Netherlands	36.3	5%
9	Denmark	35.6	5%	Denmark	35.6	5%
10	Germany	23.9	3%	Germany	23.3	3%

Source: UNHCR.

Multiyear visibility

149. UNHCR also values and advocates for multi-year funding, which is understood to be pledged for more than 24 months. The total annual amount of multi-year funding increased from \$584 million in 2021 to \$618.4 million and \$746.2 million in 2022 and 2023 respectively. Although the 2022 tranche of multi-year funding was mostly (51 percent) earmarked or tightly earmarked, UNHCR praises multiyear funding for its predictability and immediate availability at the beginning of the budget year²². For example, at the beginning of 2023, UNHCR could immediately rely on a funding of \$518 million based on existing multi-year funding agreements, which represented 11 percent of the total income of the year. The five major contributors of multi-year funding (Sweden, Denmark, Germany, the European Union, the Netherlands) accounted for 66 percent of the total amount.

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

4.2.2. Funding needs to be diversified to mitigate the current concentration risk

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

The donor concentration risk

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

153. UNHCR has defined key actions to broaden the donor base through a diversification plan with a special focus on development donors and private sector. Private Sector Partnerships (PSP) funds raised have increased significantly.

Private funding

²² Although, multiyear funding is not necessarily flexible.

154. Private sector funding has increased significantly over the last decade, increased by 500 percent between 2012 and 2023, and provides mostly unrestricted contributions.

155. Contributions from the private sector are the category of funding with the highest growth rate in the medium term. The amount recorded in 2022 has to be considered as an outlier year due to the Ukraine crisis.

Table II.12

Evolution of private funding

(Millions of United States dollars)

Budget year	2007	2012	2017	2021	2022	2023
Private funding	34	130	400	625	1247	729

Source: UNHCR.

156. However, engagement of major private donors may change over years depending on emergencies and crisis (see table below).

Table II.13

Major private sector contributions

(Millions of United States dollars)

2022			2023		
Private Donors Japan	165.3	13%	España Con Acnur	117.5	16%
España Con ACNUR	107.9	9%	USA For UNHCR	82.9	11%
USA For UNHCR	107.3	9%	Japan For UNHCR	73.8	10%
Private Donors USA	96.8	8%	UNO-Flüchtlingshilfe	52.0	7%
Uno-Flüchtlingshilfe	84.0	7%	Private Donors Rep of Korea	47.7	7%
Sweden For UNHCR	75.4	6%	Sweden For UNHCR	43.9	6%
Private Donors Italy	61.1	5%	Private Donors Italy	36.0	5%
Private Donors Netherlands	54.7	4%	Private Donors Netherlands	26.6	4%
Private Donors Bahamas	52.2	4%	Private Donors United Arab Emirates	24.8	3%
Private Donors Republic of Korea	49.0	4%	UK For UNHCR	22.4	3%
Private donors France	36.3	3%	Private donors Canada	22.1	3%
10 major private donors	890.0	71%	10 major private donors	549.8	75%
Total private contributions	1 247.7	100%	Total private contributions	729.8	100%

Source: UNHCR.

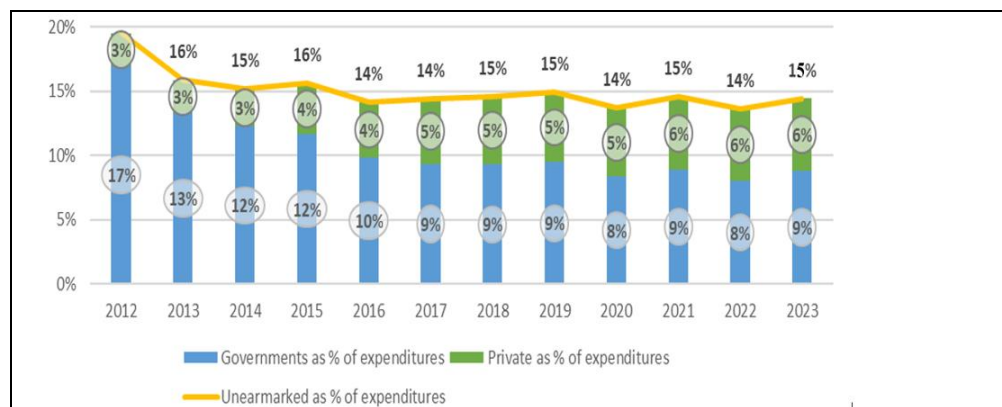
157. Private sector includes corporations and foundations, individual donors and philanthropists, as well as “national partners”²³ who play an important role in raising resources for UNHCR. As independent organizations, national partners can reach numerous donors through more than 1,000 staff who implement outreach activities such as face-to-face, digital engagement and leadership giving. A dedicated unit of the division of external relations works at headquarters and through dedicated units in regional bureaux to mobilize resources from individuals, companies and foundations. In 2023, the share of private funding from national partners in increased by 50 percent.

158. Private sector contributions are on average mostly flexible with a large, albeit variable, proportion of unearmarked (30 percent-40 percent) or softly earmarked (30 percent-60 percent) contributions. While the proportion of unearmarked funding fell from 20 percent to 15 percent of total funding between 2022 and 2023, the share of public donors in unearmarked funding fell by almost 50 percent while the share of private donors doubled (see figure below). However, the objectives pursued by UNHCR regarding this promising category of donors were not fully achieved, as the strategic indicator “unearmarked funding

²³ There are presently 10 UNHCR national partners in Argentina, Australia, Germany, Japan, Portugal, Spain, Sweden, Switzerland, the United States and the United Kingdom. They carry out advocacy and fundraising at national level.

raised through the private sector” did not reach the expected target in 2023 (\$278 million against \$300 million).

Figure II.4
Unearmarked contributions



Source: UNHCR.

159. Softly earmarked is used within a region or a situation, while earmarked contributions are for a designated country or activity. Unearmarked individual giving (\$283 million in 2022)²⁴ account for 20 to 30 percent of total private contributions.

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

161. UNHCR’s strategy has been updated and translated into an action plan in order to diversify methods of partnership with the private sector, in particular by: 1) developing easy-to-use digital tools for individual giving, 2) expanding longer term partnerships and multi-year funding, so as to overcome the existing instability of private donors’ engagement, 3) developing participation of private sectors beyond traditional financial support.

Exploring options for new financing models

162. Recognizing the challenges regarding persistent funding gaps, donor concentration and limited flexibility of funding, UNHCR should explore other financing models and carefully assess their feasibility and pros and cons. These could include introducing a greater degree of projectized funding, moving to a more resource-based budgeting and fundraising structure, and moving to a multiyear resource mobilization process. It would also be necessary to consult with member states on the possibilities and feasibility of these options.

163. Raising funding from assessed contributions could also be an option. Such source of funding would provide high degree of predictability and flexibility. Currently, assessed contributions from the United Nations regular budget amount only to less than \$50 million (44,6 million in 2023, 47,1 million in 2024), representing less than 1 per cent of UNHCR’s budget. From a theoretical point of view, progressively resorting more to assessed contributions could be justified by the fact that responding to the needs of forcibly displaced populations is in the general interest, contributes to a global public good and should therefore be a matter for international solidarity. However, under the current Financial

²⁴ In 2022, UNHCR raised \$283 million from Islamic funding, which is not reported as such to the EXCOM.

Regulations and Rules, UNHCR, unlike other UN agencies, cannot do direct assessments from member states. Hence, any increase in assessed contributions would need to be channelled through the United Nations regular budget, which is already under very tight constraints, and would be based on parameters beyond UNHCR's direct influence.

Building on the achievements of the resource mobilization strategy

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

165. The introduction of BTP tools (in particular COMPASS, Synergy, Project Portfolio Management and the Funding Allocation Engine in Cloud ERP) should, when fully operational, help streamline the dialogue between UNHCR and donors, with information being available and shared as appropriate. In addition, these tools are expected to facilitate and automate internal and external reporting, in particular with: 1) the Results data portal, which generates a report for each strategy entered in COMPASS, and can be used to produce Annual Results Reports for the operations that contribute to the Global Report published annually by UNHCR; 2) Synergy, which is expected to record the donors' reporting requirements as soon as a contribution is created in the tool, allowing to monitor and anticipate reporting in real time.

166. UNHCR should better build on the impact of its resource mobilization strategy and related work plans, based on: (a) an assessment of its performance under the latest resource mobilization strategy at national, regional and local levels, (b) a prioritization of opportunities to be seized, and (c) indicators to measure the results of the resource mobilization activities (e.g. effectiveness in mobilizing resources, not the number of initiatives taken).

4.2.3. Way forward

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

168. The pledging conference could be a key moment to report on the impact of UNHCR's operations, beyond the Global Report presented at the Executive Committee, and on the importance of increase in flexible and multi-year funding. The impact of the event should be reinforced.

169. Diversification of donors should also be promoted. Two complementary directions could be explored: 1) developing private sector funding, which has increased in recent years, in a more dynamic and structured way while managing the reputational risks associated with such partnerships; progressively and 2) assessing the feasibility and pros and cons of new financing models.

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

171. The Board recommends that UNHCR leverage its resource mobilization strategy, including the new private sector engagement strategy to: (i) increase both the volume

and quality of its voluntary contributions, in terms of flexibility, multiyear visibility and diversification, including by demonstrating to donors the impact of its operations; and (ii) assess the pros and cons and feasibility of progressively introducing new financing models.

172. UNHCR accepted the recommendation.

4.3. Budget implementation

173. The UNHCR's budget implementation system relies on the initial definition and constant updating of an annual target (called "operating level"), together with a monitoring of budgetary commitments to check compliance with the UNHCR's Financial Rules (see sect. 4.3.1). UNHCR has put in place a clear segregation of duties and an internal budgetary control system placed under the authority of the High Commissioner, which provides information that could be shared more widely with to the Executive Committee (see sect. 4.3.2). UNHCR has recently launched an exercise to curb the increase in staff costs (see sect. 4.3.3).

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

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

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

176. Independently from the operating level, Financial Rule 501.3 implies a strictly "resource-driven" budgetary implementation: it subjects every budgetary expense to the prior existence of available unused funding. This rule precisely states that "*the High Commissioner may incur commitments for the implementation of programmes to the extent that moneys²⁵ and governmental pledges are available in the appropriate fund or account²⁶[he] may also, pending the receipt of the contributions, enter into commitments up to one-half of the total amount of firm pledges from organizations of established repute²⁷ [...]*". It also states that "*the High Commissioner may enter into commitments [...] including the reserve, up to the amount funded from the Working Capital Fund for Voluntary Contributions*" (WCFVC). Lastly, it states that "*at any given time, the total amount of moneys available in all UNHCR funds and accounts [...] shall be sufficient to meet the payment due at that time*", however, this last provision refers to "cash payments due", not

²⁵ "Moneys" are defined in UNHCR Financial Rule 104.6 (m) as follows: "*Moneys*" shall mean funds that are in the form of cash or can easily be converted to cash.

²⁶ This sentence is elliptic: it means that the High Commissioner may incur commitments up to the moneys received from all donors (including Governments), as well as to the full amount of pledges from Governments.

²⁷ The UNHCR Financial Rules do not specifically define the "established repute" concept. UNHCR considers this concept applicable to private organizations or foundations that pass UNHCR due diligence process.

to new commitments, and it only means that UNHCR must continuously monitor the payments due to ensure the availability of the operational cash balance.

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

178. The information on available resources defined by Rule 501.3 is not integrated in COMPASS nor in the Cloud ERP internal “Budget Control” module. The amount of the operating level, which is an annual limit, does not have the same purpose as rule 501.3. The financial rule 501.3 indicates the commitments that the High Commissioner may incur, while the operating level represents the spending authority which is set based on contributions available and anticipated. Hence, the operating level can be higher than the level of resources defined by financial rule 501.3. Therefore, compliance with Rule 501.3 cannot be checked ex ante by the internal budget control. However, the information is technically available and can be generated at any moment of time. Currently and due to the transition in Cloud ERP, the information is in an excel sheet, but UNHCR is in the process of generating a business intelligence report.

179. The gap decreases during the year, as contributions are confirmed and commitments are incurred, but it is particularly high as at 1st January. The following table shows that at the beginning of each year, the operating level represents between 2.6 and 3.4 times the maximum amount that can be incurred according to Rule 501.3:

Table II.14

Operating Level and Rule 501.3 resources as at 1 January
(Millions of United States dollars)

		2018	2019	2020	2021	2022	2023	2024
A. Operating Level		2,887	3,368	3,494	3,377	3,779	3,961	4,006
B. Rule 501.3 available	“Recorded contributions”	970	1,171	933	1,101	1,193	1,429	1,318
	Available WCFVC	100	100	100	100	100	100	100
	Total B	1,070	1,271	1,033	1,201	1,293	1,529	1,418
C. “Anticipated” resources (A-B)		1,817	2,097	2,461	2,176	2,486	2,432	2,588
Ratio A/B		2.7	2.6	3.4	2.8	2.9	2.6	2.8

Source: UNHCR.

180. Moreover:

- The concept of “operating level” spending authority and its delegation to field and headquarters managers implies anticipating the possible impact of eligibility restrictions (“earmarking”) required by the donors to allocate the funding to specific commitments/expenses (see above sec.4.2.1 § Funding flexibility). This is a staff-intensive exercise, which is expected to be improved when an automated “Funding Allocation Engine”, integrated in the Cloud ERP and designed to optimize the final allocation of unearmarked/softly earmarked contributions, becomes operational.
- For 2023, the table above shows that the High Commissioner has allocated, compared to previous years, a higher initial spending authority with the objective to narrow the gap between the initial and the final “operating level”, so that operations could more easily plan for implementation, retain the

necessary staff and enter into 12-month partnership agreements. The decision to set a higher spending authority from the outset has resulted in fewer “operating level” increases outside of emergencies compared with previous years, both in amount and in number, but increases the risk to meet matching problems (i.e. insufficient unearmarked contributions) for the final allocation of contributions.

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

Table II.15

Adjustments of the operating level

(Millions of United States dollars)

Year	OL 01/01	OL Q2	OL Q3	OL 31/12	Q1/Q2	Q2/Q3	Q3/Q4	Q1/Q4	Number of changes
2018	2, 887	4, 209	4, 404	4, 793	46%	5%	9%	66%	433
2019	3, 368	4, 455	4, 720	5, 060	32%	6%	7%	50%	329
2020	3, 494	4, 720	5, 087	5, 414	35%	8%	6%	55%	451
2021	3, 377	4, 127	4, 562	4, 831	22%	11%	6%	43%	466
2022	3, 779	5, 133	5, 506	5, 612	36%	7%	2%	49%	446
2023	3, 961	4, 967	5, 137	5, 082	25%	3%	-1%	28%	110

Source: UNHCR.

182. Not being integrated into the internal Budget Control system, compliance checks with Financial Rule 501.3 have to be carried out separately: it is undertaken centrally each month, on the basis of Power BI dashboards that aggregate the data available across the system. Most voluntary contributions (especially unearmarked contributions) are allocated to expenditure after it incurs, during the year end close, but the same compliance check applies as indicated as per above Hence, the current operating model of UNHCR makes it technically impossible to guarantee *ex ante* permanent compliance of the commitments with Financial Rule 501.3.

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

Table II.16

Global compliance with Rule 501.3

(Millions of United States dollars)

Date	OL at date	Commitments			Recorded available resources to date since Jan 1st 2023				Resources-commitments
		Committed not paid (1)	Paid (2)	Committed + Paid	2023 contributions (3)	Pledges (4)	Carry over	Total	
31/01/2023	4,154	192	431	623	1,472	290	573	2,335	1,712
28/02/2023	4,356	347	703	1,050	1,548	390	573	2,511	1,461
31/03/2023	4,507	422	970	1,392	1,813	390	573	2,776	1,384
30/04/2023	4,612	410	1215	1,625	2,046	309	573	2,928	1,303
31/05/2023	4,860	440	1601	2,041	2,883	328	573	3,784	1,743
30/06/2023	4,967	457	1939	2,396	3,132	372	573	4,077	1,681
31/07/2023	5,041	485	2525	3,010	3,433	265	573	4,271	1,261
31/08/2023	5,090	635	2889	3,524	3,594	234	573	4,401	877
30/09/2023	5,137	1,562	2773	4,335	4,256	189	573	5,018	683
31/10/2023	5,109	1,512	2813	4,325	4,344	107	573	5,024	699

30/11/2023	5,156	1,350	3452	4,802	4,581	107	573	5,261	459
31/12/2023	5,159	1,235	3932	5,167	4,817	0	573	5,390	223

(1) Committed not paid: direct implementation PO + Partner Agreement a month apportioned year to date + three months to date.

(2) Paid: deduct (-) the partner pre-payment + reported PFR.

(3) 2023 contributions: approved contribution representing recognized revenue in MSRP and Cloud ERP.

(4) Pledges: does not include PSP pledges as they are not recorded in the system until signed.

Source: UNHCR.

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

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

Table II.17

Headcount in operations plan and operating level

Approval level		2018	2019	2020	2021	2022	2023
Headcount (approved positions)	ExCom (approved Programme budget - OP)	12,638	13,968	15,122	16,078	16,408	16,729**
	High Commissioner (operating Level)*	11,374	12,239	13,528	12,943	13,248	13,255
	OL/OP headcount in %	90%	88%	89%	80%	81%	80%

Source: UNHCR.

* The ExCom approved programme budget reflects positions based on person/year: the operating level line (2nd line) has been updated based on person year, so that both lines be comparable.

**For 2023, the ExCom Budget figure as reflected in the programme budget 2024 was still provisional at the date of the audit.

4.3.2. Budgetary control, under the authority of the High Commissioner, benefits from a clear segregation of duties, but the related information could be more widely shared

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

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

187. During the fiscal year:

- The concept of spending authority and its delegation to operations require managers to constantly update the amount and earmarking of the donors’ contributions;
- At the operations (country) level, priority needs are also constantly updated and adjusted;
- At headquarters level, regular monitoring of the spending authority against funds is undertaken by the Division of Strategic Planning and Results (DSPR). Corrective actions are taken as necessary, and the “operating level” is

continuously adjusted. For this reason, the “operating level” has been subject to frequent and significant adjustments over the 2018-2023 period (see tables 10 and 11 above).

188. The budget adjustments are not only due to change requests for increases or decreases, but also for reallocations of the actual spending authority in the central records. The modifications of these records are undertaken centrally by the Resource Planning and Management Board (RPMB) secretariat²⁸.

189. Changes to central records are carried out by ARBAS in Cloud ERP. The RPMB Secretariat is not allowed to make changes into COMPASS. Once the central records have been adjusted:

- The adjusted spending authority (called “OL”) is automatically transferred and displayed in COMPASS (within three hours);
- Operations (at country level) are informed by ARBAS to adjust their budget details in COMPASS under the results framework to reflect the new spending authority distribution: based on their priority needs, they create “detailed budget submissions” down to the level of each elementary output. These detailed submissions are sent to Cloud ERP, and aggregated to check that their total amount does not exceed the adjusted spending authority approved by the RPMB (“ceiling check”)²⁹.

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

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

- The “operating level” spending authority is split between three non-fungible “budget categories”: staff (identified as “STAFF”), operations (identified as “OPS”) and support and administrative expenses (identified as “Administrative Budget and Obligations Document”, ABOD);
- The “operating level” is distributed between nearly 150 Areas of Budget Control;
- The budgetary control allows significant flexibility for STAFF expenses and locally, beneath the level of the “areas of budget control”, for OPS and ABOD expenses;
- Budget control is set at an “absolute” level for OPS and ABOD budget categories within every Area of Budget Control (ABC). Due to the methodology of calculating staff / budget, there is no absolute control on the STAFF budget category (see paragraphs dedicated to budget control flexibility below);
- At all times, the budgetary management and the internal budgetary control are independent from fund-raising activities and funding allocation processes.

Breakdown of the “spending authority” by budget categories shows an increasing share of staff expenses

²⁸ The Secretariat of the RPMB is provided by the Annual Review and Budget Analysis Service (ARBAS), which reports to the DSPR.

²⁹ COMPASS also provides an automatic “floor check”, to verify that the spending authority distribution is at least equal to amounts already committed, in particular when approaching year’s end, but this function has been deactivated at the beginning of 2024.

192. The breakdown of appropriations between STAFF, ABOD and OPS is applied to both the approved “programme budget” and the “operating level” (OL) but the budgetary control applies only to the “operating level” expenses.

193. The percentage of staff costs in the total “operating level” expenses has grown steadily over the period 2018-2023, from 20 to 28 percent, while the ABOD expenses have remained stable, around 10 percent (except for a “peak” in 2020), and the share of OPS expenditure has decreased, from 70 percent to 62 percent (see table below).

Table II.18

“Operating level” Budget categories’ trends

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

Source: UNHCR.

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

Table II.19

Share of budget categories at end of year n-1 and at beginning of year n

Date	STAFF	ABOD	OPS	Date	STAFF	ABOD	OPS
OL 31/12/2018	20%	10%	70%	OL 31/12/2021	25%	11%	64%
OL 01/01/2019	23%	10%	66%	OL 01/01/2022	33%	13%	55%
OL 31/12/2019	20%	11%	69%	OL 31/12/2022	24%	10%	66%
OL 01/01/2020	26%	10%	64%	OL 01/01/2023	34%	12%	54%
OL 31/12/2020	21%	9%	70%				
OL 01/01/2021	32%	12%	56%				

Source: UNHCR.

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

196. Although in line *with* governance requirements and considered useful by UNHCR, the presentation along these “cost categories” provides a different

perspective to data based on budget categories. Indeed, the increasing weight of staff costs from 20 percent in 2018 to 28 percent in 2023 did not have any significant impact on the “programme costs”, which remain above 80 percent (see table below).

Table II.20

Budget categories and cost categories in 2022

(Millions of United States dollars)

Cost category	Budget category			Total	%
	OPS	ABOD	STAFF		
Programme (PG)	3.698	236	630	4.565	81%
Programme support (PS)	-	266	590	856	15%
Management Administration (MA)	-	81	110	191	3%
Total	3.698	583	1.331	5.612	100%
%	66%	10%	24%	100%	-

Source: UNHCR. 2022 was the last complete budget data available at the time of the audit.

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

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

Budget control flexibility

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

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

Independence of budget control, fund-raising and funding allocation

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

202. The budgetary control of the “operating level” applies to expenditure, independently from the flow of funding, related to fundraising activity and earmarking of contributions. Unlike many other organizations financed by voluntary

contributions, which record upfront subscriptions to clearly identified programmes and projects, the UNHCR donors, when “earmarking” their contributions, do not arbitrate on the basis of a pre-defined list of projects, but rather on the basis of possible locations, impact or outcome areas, and sometimes budget categories. The new IT solutions facilitate the allocation of tightly earmarked contributions to activities, exercise which was previously done manually and staff-intensive.

4.3.3. UNHCR has recently launched an exercise to curb the rise in staff costs

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

Tendential increase of staff cost

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

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

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

Table II.21

Breakdown of resource allocation by budget categories

Budget Category	2018		2019		2020		2021		2022		2023	
	OP Budget	Expen diture	OP Budget	Expen diture	OP Budget	Expen diture	OP Budget	Expen diture	OP Budget	Expen diture	OP Budget	Expen diture
OPS	78%	67%	77%	66%	77%	68%	75%	65%	76%	66%	76%	62%
ABOD	8%	11%	8%	11%	8%	10%	9%	11%	9%	10%	9%	11%
STAFF	14%	22%	14%	23%	15%	23%	16%	24%	15%	24%	16%	27%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: UNHCR.

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

Table II.22

Evolution of the expenses by cost categories

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

Source: UNHCR.

Launch of a new efficiency plan

208. The Executive Committee requested the High Commissioner, to respond flexibly and efficiently, within available resources, to the needs outlined under the “programme budget” for 2023 and encouraged UNHCR to be as efficient and effective as possible with the resources provided in the implementation of its mandate³⁰. This requirement is reflected in the High Commissioner’s definition of the initial “operating level” parameters³¹. However, at the field level, although awareness may be expressed, tools can be improved to implement resources and to measure its results. Such tools could include cost indicators, set at country, regional and headquarters level.

209. The “staff cap” introduced in 2023 is an unprecedented effort to reduce staff costs and calls for close monitoring; that role is mainly ensured by the regional bureaux, which strive to optimize the distribution of the staff cap between the local “areas of budget control”.

210. Regional bureaux already have a role to play in promoting cost-effectiveness and efficiency, as defined by the guidelines on roles, accountabilities and authorities adopted in November 2022: “identify and exploit opportunities for cost efficiencies (...) monitor the implementation by countries in the region of cost efficiency (...) measures (...) rigorously document and share best practices, including cost efficiency good practices”³². However, the responsibility in the development of structured approaches of efficiency by operations by the regional bureaux should be further clarified. .

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

212. In the context of current funding challenges, which could result in reduced spending authority, and in order to cope with the increasing proportion of resources allocated to administrative costs (ABOD and STAFF budget categories), back-office support functions would need to be rationalized, including by considering the pros and cons of transferring them from a local to a regional level. While expertise and design of assistance and service delivery need to remain country specific, functions such as processing of transactions³³ could be re-engineered and clustered at a global or regional level, with the aim to achieve cost-efficiency gains. Benefits in terms of efficiency gains should also be drawn from the digital transformation resulting from the Business Transformation Programme, in particular from the implementation of Cloud ERP.

Staff expenses and headcount

213. The Board examined the structure of expenditure, i.e. the evolution of the proportion of resources allocated to support and staff, compared to the resources

³⁰A/77/12/Add.1, A/78/12/Add.1, Report of the Executive Committee of the Programme of the United Nations High Commissioner for Refugees, Seventy-third session (10–14 October 2022), Seventy-Fourth session (9 - 13 October 2023).

³¹ Last message to regional bureaux, IOL and related parameters, 27 July 2023.

³² Roles, accountabilities and authorities of regional bureaux, UNHCR, November 2022.

³³ In CBI programmes, financial processing and interaction with service providers do not require proximity, contrary to targeting beneficiaries.

allocated to core activities. The Board paid a specific attention to staff, which is a crucial expenditure in an entity such as UNHCR, which is subject to funding constraints. Staff expenditure increased by 118 percent in five years (see table below).

Table II.23

Staff expenditure

(Billions of United States dollars)

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

Source: UNHCR.

214. The total number of UNHCR workforce also grew by 4.1 percent between 2022 and 2024. In 2023, increases affected all job categories, with the exception of directors and USG/ASG. The forecast for 2024 stabilizes the number of managers and professionals, while the number of general service and field service staff decreases and the number of national officers continues to increase. The total headcount continues to grow, with a shift in favor of national officers. If the forecasts are met in 2024, the efficiency plan will nevertheless represent a shift, if not in total number of staff, then at least, unlike in 2023, towards a shift in favor of national officers, who are in principle less costly, with a stabilization in the number of international officers (see table below).

Table II.24

Staff positions authorized in the programme budget by category of staff

	USG/ASG Under- Secretary- General Assistant Secretary- General;	D Director	P Professional	NO Other level.	GS/FS General Service, Field Service;	TOTAL
2022	4	192	4,427	1,693	10,092	16,408
2023	4	184	4,546	1,820	10,175	16,729
2024	4	185	4,544	1,912	10,433	17,078
2024/2022	0%	-3,60%	2,60%	12,90%	3,40%	4,10%

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

215. Staff expenditure is distributed by UNHCR along cost categories, as defined above³⁴ (see table below).

Table II.25

Staff position by cost category

	2022		2023		2023/2022	
	Positions	% total	Positions	% total		
Programme	7977	48%	8328	49%	228	3%
Programme support	7686	47%	7670	47%	96	1%
Management and administration	745	5%	731	4%	-15	-2%
TOTAL	16408		16729		309	2%

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

³⁴ Distribution of staff cost by cost categories is based on the staff category, according to table established in 2016.

4.3.5. Way forward

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

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

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

219. UNHCR accepted the recommendation.

4.4. Accountability on budget management and reporting on performance

220. Reporting to donors, although built after the actual spending, reflects their requirements (see sect. 4.4.1). Budgetary reporting to the Executive Committee is aligned with governance requirement but could be improved (see sect. 4.4.2). The quality and use of performance monitoring need to be enhanced (see sect. 4.4.3).

4.4.1. Reporting to donors, although built after the actual spending, reflects donor reporting requirements

221. Reporting to donors, although built after the actual spending, reflects donor reporting requirements. The funding allocation to expenditure is currently undertaken manually by UNHCR. Covering support and administrative costs, as well as expenses toward less attractive regions can be challenging given the earmarking requirements. Until the new ICT tools are in place, the manual processing of voluminous results-based data is time-consuming and resource-intensive.

222. As donor reporting is driven by donors’ earmarking, reporting requirements are unequal. Main earmarking donors (such as the USA and the European Union) ask for very specific reports while donors providing flexible funding (Denmark, Sweden, Norway) are satisfied with the global reporting provided by UNHCR and the country-level reporting (both published on Global Focus).

223. Reporting on earmarked contributions is prepared within the chief of accounts section, where lists of receivables are manually extracted from the Management Information Basis (MIB)³⁵ general ledger and filtered according to the donors’ earmarking. Those lists are sent to the relevant field managers, who identify and validate the transactions that match with the donors’ earmarking. Once these transactions have been validated, the report for donor is generated.

³⁵ The Management Information Basis is a general ledger where all budgetary expenses are recorded on a cash basis.

224. Reporting to donors is based on expenses recorded in the central ERP by each of the local operation, using a specific coding³⁶, and also on a manual centralized process. This central process requires each “award project owner” to allocate the donors’ contributions to the expenses of UNHCR, on the basis of information on earmarking and on the execution of the project, with a priority given to most tightly earmarked contributions. The allocation of unearmarked resources follows the criteria associated to the tightly, earmarked and softly earmarked contributions.

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

226. The new IT solution is expected to facilitate donor reporting. Until it is fully operational, the current manual reconciliation process entails risks of errors in the donors’ reports. When a situation changes, notably linked to activities related to earmarked or where there is a problem to meet the earmarked requirements and conditionalities of a donor, UNHCR informs the donor to seek a solution and resolve it. Furthermore, many donors, particularly the largest, tend to follow up locally through direct contacts with field managers, in addition to the elements that they receive from UNHCR (notably the Division of External Relations), to complement the information.

227. The current process of reporting to donors could be further improved to address: 1) the overall funding allocation which now is performed subsequent to the actual spending; 2) the manual processing of tens of thousands of results-based data, most of which are narrative, which does not ensure an efficient and reliable approach although a new IT system is expected to facilitate this.

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

4.4.2. Budgetary reporting to the Executive Committee is aligned with governance requirement but could be improved

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

230. According to the 1958 decision of the ECOSOC which established the Executive Committee of the Programme of UNHCR, the latter shall “*review at least annually the use of funds made available to the HC and the programmes and projects being proposed or carried out by its Office; have authority to make changes in, and give final approval to, the use of funds and the programmes and projects*”. According to UNHCR financial rule 203.1, “*the proposed UNHCR programme budget shall be accompanied by such information, annexes and explanatory statements as may be requested by or on behalf of the Executive Committee and such further annexes or statements as the High Commissioner may deem necessary and useful*”.

³⁶ In Cloud ERP, this coding is known as « PTEO » (Project, Task, Expenditure type, Expenditure Organization).

231. Once the programme budget is approved by the Executive Committee, usually in October, the High Commissioner provides the Standing Committee of the Executive Committee with updated information on budget and funding. For instance, information on the implementation of the programme budget for 2023 to the Standing Committee, as approved by the Executive Committee in its seventy-third session³⁷, was provided to the Standing Committee in March, June and September 2023.³⁸

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

4.4.3. The quality and use of performance monitoring need to be enhanced

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

234. Accuracy and significance of results data generated by COMPASS is crucial. The Monitoring and evaluation component of the operations’ strategy is well defined in COMPASS. In 2023, UNHCR has established a complex methodology³⁹ to provide assurance on the quality of information on results at each level of the result framework: output, outcome and impact.

235. However, there is still a gap between monitoring systems and reporting as the implementation of the monitoring and evaluation strategy and its specific results are not well reflected in the results reports.

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

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

4.4.4. Way forward

238. The reporting to donors should become more efficient.

239. The budgetary reporting to the Executive Committee is aligned with the governance but needs to be reinforced (as already underlined above, at the end of section 4.3).

³⁷ A/77/12/Add.1, § 13.

³⁸ 86th (EC/74/SC/CRP.8), 87th (EC/74/SC/CRP.16), 88th (EC/74/SC/CRP.21) sessions of the SC.

³⁹ Presented in the programme handbook (Nov. 2023).

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

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

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

243. UNHCR accepted the recommendation.

5. The management by UNHCR of large camps

244. The Board focused its audit on the following areas: strategy and knowledge of large camps (see sect. 5.1); alternatives and exit solutions to large camps (see sect. 5.2); registration processes (see sect. 5.3); needs assessment and expenditure (see sect. 5.4); organization and service delivery (see sect. 5.5); and performance and accountability (see sect. 5.6).

5.1. Strategy and knowledge of large camps

245. It is estimated that between 5.9 and 7.1 million of refugees currently live in camps, according to UNHCR sources. Around thirty large camps currently exist. They are considered by UNHCR as undesirable solutions. Although country strategies exist, there are no tailored strategies for camps. Most of them are the result of long-standing situations, having often been in existence for several decades. There is also great diversity among these large camps, reflecting the multiple situations faced by displaced persons and the various conditions offered to them by the host countries, particularly in terms of freedom of movement and access to work. In this context, ensuring up-to-date knowledge of the situation in these large camps remains challenging.

246. By the end of June 2023, 30.5 million refugees fall under the mandate of UNHCR. 66 per cent of them have been in displacement for decades, in what are called “*protracted situations*.”⁴⁰ These situations are defined by UNHCR as “*those in which at least 25,000 refugees from the same country of origin in exile in a given low- or middle-income host country for at least five consecutive years.*”⁴¹ By June 2023, UNHCR estimated that “*23.8 million refugees and other people were in need of international protection in a protracted situation.*”⁴² Among these refugees, UNHCR considered that around 70 per cent of them live in urban areas, with most of the others logically living in settlements or camps of various sizes, but also in rural areas or unidentified locations. In fact, UNHCR does not give in its official documentation the exact number of those living in camps or settlements.

247. UNHCR does not define a threshold for large camps, and, for the purpose of this audit, the Board has considered that large camps are those that include more than 50,000 refugees. Beyond this threshold, UNHCR tends to face more complex and demanding challenges.

⁴⁰ UNHCR, *Mid-Year Trends 2023*, p. 15.

⁴¹ The UNHCR adding that “*this definition should be seen as a reflection of the situation as a whole and does not refer to circumstances of individual refugees.*”

⁴² The UN counted in 2023 59 protracted situations in 37 different host countries. Compared to the end of 2022, two situations were newly classified as protracted: the Congolese refugees in Kenya and the Somali refugees in Uganda. UNHCR, *Mid-Year Trends 2023*, p. 15.

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

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

250. UNHCR defines a "camp" as "*temporary facilities built to provide immediate protection and assistance to people forced to flee*" but "*emergency situations can become protracted [i.e. beyond five years of existence], resulting in people living in camps for years or even decades.*"⁴³ A camp is "*a type of formal settlement which is usually imagined as a temporary solution to address the most immediate needs of forcibly displaced, with little opportunities for integration as freedom of movement may be limited, and opportunities for self-reliance and solutions are out of sight.*" For UNHCR, a camp has to be formulated in a way that it can move "*toward a human settlement, taking into consideration the long-term livelihoods opportunities of the integrated community, as well as the gradual independence of the displaced population from external aid support.*"⁴⁴

251. However, the reality on the ground tends to blur this distinction between formal settlements and camps, as camps do not necessarily have fences nor gates (Kiziba camp in Rwanda), and as are also integrated with their surrounding host communities (Mahama camp in Rwanda), while in some settlements or camps movement of refugees is limited through various measures including fences and gates as required by government policy. Overall, a camp is, as a settlement, a structured and accepted site by the host government, and has been dragged into long-term situations where there is no political solution or any peace process in sight (camps of Syrian refugees in Jordan, camps of Rohingyas refugees in Bangladesh). They also both are, in the end, conceived as an answer to protect and accommodate forcibly displaced persons. Camps are in protracted situations but they all have previously been emergencies with recurrent displacement. And UNHCR acknowledges that "*in some situations, there is simply no alternative to the establishment of a camp (or camp-like settlement).*"⁴⁵

252. In one communication on camps of July 2023, UNHCR considered that "*there are refugee camps all over the world. Many of these camps were built quickly to serve the immediate needs of those forced to flee, but have grown to host hundreds of thousands of displaced people. Some of the world's largest refugee camps are:*

⁴³ Webpage of the American version of UNHCR website: <https://www.unrefugees.org/refugee-facts/camps/>

⁴⁴ <https://emergency.unhcr.org/emergency-assistance/shelter-camp-and-settlement/formal-settlements/settlement-typologies-emergencies>

⁴⁵ *Master Plan Approach to Settlement Planning*, 2020, p. 5.

*Kutupalong-Balukhali expansion site (Bangladesh), Bidi Bidi refugee camp (Uganda), Dadaab and Kakuma refugee camps (Kenya), Azraq and Zaatar refugee camps (Jordan), Nyarugusu, Nduta, and Mtendeli refugee camps (Tanzania) and Kebribeyah; Aw-barre and Sheder refugee camps (Ethiopia).*⁴⁶ According to UNHCR, an estimated 5.9 million refugees (and 8.6 million IDPs) were living in camps at the end of 2022⁴⁷, representing about 20 to 30 per cent of refugees worldwide (70 to 78 per cent of them living in urban areas). This figure that was orally given to the Board cannot be found in any UNHCR documentation.

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

Table II.26

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

Name of the refugee camp	Country Office	Date of creation	Origin & number of forcibly displaced and stateless people (as of July 2023)
Cox's Bazar	Bangladesh	1991 ⁴⁸	923,359 Rohingyas
Nyarugusu & Nduta camps	Tanzania	1996 ⁴⁹	118,670 & 75,454 Burundians and Congolese
Mahama camp	Rwanda	2015	55,387 Burundians and Congolese
Rhino, Imvepi, Kiryandongo, Nakivale camps	Uganda	2003-2017	133,335, 64,521, 65,858 & 167,170 South Sudanese, Congolese & others
Za'atari & Azraq camps	Jordan	2013	82,735 & 40,900 Syrians
Mbera camp	Mauritania	2012	91,263 Malians

Source: Board of Auditors.

254. Camps are characterized by the shelter solution provided during the emergency phase (tents, shelter kits, plastic sheeting, local construction materials, refugee housing units, core relief items), as well as by the government's permission to install more durable shelter. For example, in Jordan, the Za'atari camp was established in 2012 in the Governorate of Mafraq in the north of the country close to the Syrian border, following a decision of the Jordanian government due to the sharp increase of the refugee arrivals and of the difficulty of the host society to welcome all the refugees. The Government gave its approval to the site of Za'atari and provided the Jordanian Hashemite Charity Organization, a Jordanian non-governmental

⁴⁶ <https://www.unrefugees.org/refugee-facts/camps/> and <https://www.unrefugees.org/news/inside-the-worlds-five-largest-refugee-camps/> (July 2023)

⁴⁷ In its 2019 *Master Plan Approach to Settlement Planning*, UNHCR considered that "While UNHCR's Policy on Alternatives to Camps promotes the pursuit of alternatives to camps whenever possible, the reality is that globally over 10 million displaced people are reported to be living in humanitarian settlements."

⁴⁸ More than 95 percent of the refugees in Cox's Bazar arrived after August 2017, not in 1991.

⁴⁹ While Nyarugusu Camp was established in 1996, Nduta Camp was reopened much more recently.

organization (NGO), with the right of use. UNHCR and this NGO settled up tents, initially in two units of 5,000 each. The tents were gradually replaced by caravans for the coming winter.

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

256. A diversity between the various camps is also conditioned by the policy of the host country towards refugees. Indeed, the context and environment of the camp are largely dependent on government policy. Any camp or formal settlement has to receive the approval of the host country to be established. In most countries, camps are built in closed designated areas identified by the State (as in Bangladesh, Jordan, Mauritania, Rwanda, Tanzania) close to a border. Uganda is an uncommon case where the land is allocated by the State in the south of the country, and where the government negotiates with landowners the allocation of plots of land to refugees in the north. In all these camps, the host country appoints a camp manager, with one or two deputies depending on the size of the camp, and who is UNHCR's interlocutor regarding the overall situation in the camp.

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

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

259. In its Emergency Handbook⁵⁰, UNHCR acknowledges that "*displacement tends to last longer than expected*" as "*camps, formal and informal settlements are rarely occupied for short-term. Planners should always expect that once put in place, settlements are likely to exist over a long period of time. Service provision over that period of time is likely to remain the responsibility of humanitarian actors, and integration with local existing services will be challenging.*"

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

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

⁵⁰ Settlement Typologies in Emergencies, February 2024.

for better targeting of services to the population. Likewise, the information could enhance the assessments of programs and budgets at regional and headquarters levels.

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

263. UNHCR accepted the recommendation.

5.2. Alternatives and exit solutions to large camps

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

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

266. On the one hand, UNHCR has developed a set of tools for setting-up camps emerging in crisis situations. In line with its policy on alternatives to camps of 2014⁵¹, UNHCR has first advocated to find alternative solutions to host refugees. When the host country decides to set up a camp in response to an emergency resulting from an influx of refugees occurs, the UNHCR country offices can try to advocate for best practices in numerous areas. These documents provide guiding principles on the spatial design of humanitarian settlements and the management of camps. Some documents were produced by UNHCR on its own, such as the Emergency handbook and the Master plan approach to settlement planning. Other documents were produced with humanitarian stakeholders and UN agencies such as Settlement Profiling Tool with UN Habitat and the Camp management toolkit with IOM and the Norwegian Relief Council (NRC). All of these guidelines contribute to frame the creation of camps by capitalizing on the knowledge and the experience of UNHCR and its partners. It is also recognized that over the past several years UNHCR has developed guidelines and tools to design and run responses in out of camps and urban settings, also in collaboration with other expert agencies like UN-Habitat.

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

⁵¹ A complementary policy on Protection, Inclusion and Solutions in Urban Areas is supposed to be realised in 2024.

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

269. However, even in the countries hosting large camps, UNHCR is facing budget cuts and sustainable alternatives for refugees living in camps have to be proposed. A number of options can be considered to build an exit strategy (partial or complete), such as delivering services differently⁵², integrating more into national systems and making refugees more self-reliant. However, changing the way to deliver a service requires time (identification of the solution, definition of the new programme, contracting with new implementing partners if necessary or transfer to another partner pilot, comprehensive roll out). Transitions and phase out plans should therefore be considered as a priority and should be undertaken at an early stage, when the most acute phase of the emergency period is over.

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

271. To this end, UNHCR is building a doctrine. However, it is not yet really at an operational-level. It remains at a strategic-level. As exposed above, UNHCR tries to promote the implementation of development programmes in protracted camps. The Global Refugee Forum is a platform used to advocate for this. UNHCR has also started to develop tools to support the transition of camps such as the strategy on engaging with development actors (2023), the Camp management toolkit (UNHCR/IOM/NRC), which includes a section on the administrative closure of a camp and the Geneva Technical Hub (GTH). This initiative was established in 2021 in partnership with the Swiss Agency for Development and Cooperation. Upon request and availability of resources, it provides with complementary technical skills to country offices in order to address a specific issue. Despite the small scale of the project, GTH contributes to the sustainability of living conditions in the camps through the production of study reports. For instance, GTH has produced studies on the clean cooking in the Mahama and Kigeme refugee camps (Rwanda) and the settlement planning in the Mbera camp (Mauritania).

272. Some current initiatives by UNHCR and its partners on the transition of camps deserve to be highlighted. In some long-lasting camps, UNHCR is working on the transition of some successful programmes. For instance, in Mahama camp (Rwanda), individual small mud houses have been built since 2017-2018, each one of them having a small garden to allow vegetables growing. The streets of the camp have trees that have recently been planted by the refugees. Those trees provide shadow in a dry and sunny environment, make the temperature milder inside houses as their roofs are

⁵² It implies to review the needs assessment to propose new solutions.

covered with steel plates. In other camps, a real sustainable transition is planned and the overall objective is shared with the host governments.

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

274. On the other hand, the refugee camp of Bhasan Char (Bangladesh) shows the limits of UNHCR's actions to ensure the sustainability of refugee settlements. Bhasan Char has been planned by the Government of Bangladesh to decongest the camps in Cox's Bazar and with plans to accommodate up to 100,000 Rohingya refugees. On 9 October 2021, a MoU relating to Bhasan Char was signed between the Government of Bangladesh and UNHCR on behalf of UN agencies working on the Rohingya humanitarian response in Bangladesh. Following this MoU, UNHCR established a field office on Bhasan Char. As of January 2024, it hosts 32,574 refugees. The camp is located on a non-urbanized island of the Bay of Bengal. The camp, designed by the Government of Bangladesh is not compliant with UNHCR settlement guiding principles. Refugees are isolated, the settlement layout is not sustainable, the island is prone to cyclones and flooding and the livelihood opportunities are very limited. UNHCR and more widely the UN did not succeed to advocate for better alternatives to this form of settlement.

275. In any case, plans to phase out camps or to start a transition process need to be clearly defined, scheduled, and shared with all the relevant stakeholders. Just a handful of operations have such plans for camps. Where possible, this exercise should, be systematised, so that UNHCR can advocate externally to sustainable transitions for camps on the basis of mature proposals. These plans also have to be realistic, by considering the limits and the political obstacles. In order to give such plans all chances being effectively implemented, they should benefit from the definition of a phasing plan, roadmaps for each sector, and scenarios in the event of changes in the context, delays, or reductions in the inclusion opportunities.

276. The UNHCR master plan approach to settlement planning stresses that the design of camps has to be driven by environmental considerations. Although considered, environmental risks are not sufficiently considered when setting up camps at that stage or cannot be avoided due to restrictions imposed by governments. Massive firewood collects can contribute to deforestation in the surroundings of camps. Although the risk of recurring lightning is high in Nduta camp (Tanzania), adaption measures such as implementation of lightning conductors are not taken. Also, numerous large camps are located in the Sahel and the Great Lakes regions. These two regions are experiencing climate change 1.5 to 2.5 times faster than the rest of the world. Sudden onsets (storms, droughts, heat waves, floods, etc.) and slow ones (desertification, increasing temperature, changes in rainfall patterns, etc.) are affecting the camps. For instance, in recent years, people living in the Dadaab camp

(Kenya) have suffered from repeated cycles of drought and flooding. Refugee camps around Lake Chad are affected by massive flooding. The definition of transition and exit plans can be an opportunity to reassess the adaptation of the camps to the risks of natural disaster. UNHCR should therefore systematically include a natural disaster risk assessment when defining or co-defining a sustainable human settlement plan for the large camps it is managing.

277. Development is not part of the mandate of UNHCR, even if a humanitarian action may have development results. However, development activities require specific skills and funding. UNHCR needs therefore to collaborate with all relevant partners (both UN and non-UN) in an integrated manner to define plans, to build projects and to advocate for the sustainable transition of camps. Even though UNHCR has recently committed to improve itself in that area of concern⁵³, when it deals with the transition of camps, the burden-sharing between UNHCR and the partners in this field is not clear. Public authorities at all levels, humanitarian stakeholders (NGOs and UN agencies) and development actors (UN agencies as UN Habitat and United Nations Development Programme (UNDP), development agencies, international financial institutions) as well as the country UN resident coordinator have to be involved. They should be consulted at the earliest stages on whether the adequacy of the orientations with their strategy or the adaptation of their strategy to the plans. When it comes to their implementation, a clear plan's ownership has to be defined.

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

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

280. UNHCR accepted the recommendation.

5.3. Registration processes

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

282. As UNHCR reiterated in its Inter-Agency Country Response Plan for 2022-2025, "*registration is the foundation of protection and assistance.*" However, the Board noted significant discrepancies between country offices in the procedures used for refugee registration and in the implementation of these tasks. Shortcomings and lack of attention paid to the proper conditions of registration may compromise the accuracy of figures and may prevent the detection of fraud.

⁵³ i.e. Strategy on engaging with development actors, 2023

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

284. Moreover, UNHCR’s Standard Operational Procedures (SOPs) in regard to registration differ significantly from one country office to another. The differences may be justified when they lie on the role and tasks conditioned by governments, which can be diverse, but may be unnecessary for parts of the registration procedures where UNHCR is fully responsible and produces its own data. Some SOPs have not always been updated such as in Rwanda where the last version has been issued on 28 August 2012.

285. The country offices of Jordan and Rwanda has a standardized continuous registration process, based on a cycle of one year in Jordan for all refugees. In Mauritania and in Tanzania, the continuous registration, in absence of new events in the family of refugees, is supposed to be carried out every five years. The Board noted that these timelines have been met and has doubts on the accuracy of the registration figures⁵⁴. In Uganda, where heavy problems have been identified (see below), there is no information on the interval between two registrations.

286. UNHCR guidelines on registration⁵⁵ also mentioned: “*Even in operations where registration data is updated through verification, continuous registration procedures should be in place for the regular recording of births, marriages and other events requiring adjustments to identity or entitlement documents, as well as inactivation or closure of individual records and the cancelling of lost or damaged documents and their reissuance. The regular verification, updating and completing of information on persons of concern is necessary to maintain accurate registration data and identity documentation, and is an important anti-fraud measure.*”

287. However, the Board found that in several countries, the registration operations did not meet the objectives mentioned by the guidelines. The identification of refugees has been easier, with more security, thanks to several tools such as iris recognition (Biometric Identity Management System, BiMS) which prevents the registration of multiple identities. However, the challenge remains to monitor the evolution of family composition.

288. Children under the age of five are not concerned by BiMS recognition. In countries (e.g. Jordan or Rwanda) where new-borns are properly and quickly registered by the host authorities who issue birth certificates, the risk of fraud is low. In camps where women give birth outside of clinics and where births are not registered by a civil authority, the risk of fraud is higher, with, possibly, as the same new-born being presented by several families in order to fraudulently increase the size of the family and thus the level of assistance. In this regard, the Board noted the lack of risk mitigation in several countries visited and even a denial of the potential risk by some staff in charge.

289. Risks are much higher with death declarations, for which the incentive are less strong than for child or marriage declarations. The Board noted a discrepancy

⁵⁴ The risk register of the Tanzania country operation mentions the « credibility of refugee data » as one of the risks encountered by UNHCR in the country.

⁵⁵ 8.2 Continuous registration in UNHCR Operations.

between countries where the host authorities verify the burial procedures and countries where there are no procedures or rules in place.

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

291. The necessity of mitigating risks related to registration should have been a priority for UNHCR, due to problems encountered twice in Uganda. In March 2015, the government of Uganda took over the registration responsibility from UNHCR, using its own Refugee Information Management System (RIMS) database rather than UNHCR’s proGres system. In 2017, UN agencies and key donors started to report allegations of corruption, fraud and other irregularities in the registration process. The allegations Ugandan officials faced included fraud regarding the distribution of food assistance (which was often sold on markets), the number of refugees (with some 300,000 so-called “ghost refugees”), refugees being required to pay bribes in order to be registered, and allegations that scholarships for refugees were going to the Ugandan nationals⁵⁶ instead. The allegations of corruption and irregularities resulted in some donors suspending funds for the refugee programme in Uganda. In March 2018, the country office created the position of Senior Registration Officer to coordinate registration matters with the government and to be in charge of risk management related to registration activities.

292. However, in 2022-23, new registration irregularities and allegations of misconduct were reported in the Rhino settlement, and then in the Bidi Bidi and Kiryandongo settlements, which are mainly home to South Sudanese refugees. As in 2017, this was initially discovered by World Food Programme (WFP) staff during regular food and cash distributions monitoring exercises in Rhino camp. Anomalies were also detected by UNHCR staff who performed data audits using BiMS and ProGresV4 technology as part of regular fraud prevention measures⁵⁷. The irregularities concerned increases in some family sizes and irregular changes to existing registration records of some refugees. Overall these concerned 6,219 individuals, mostly related to new births.

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

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

295. Verification exercises or census, which are easier in camps than in urban areas, should be part of the tools used. UNHCR has often underlined that these procedures, even continuous registration, are cumbersome and too costly. It is obvious that a registration process is costly. Nevertheless, it is part of the core mandate of UNHCR

⁵⁶ There were also allegations of trafficking of minor girls and women to marry men, who are not of their choice after paying a bribe to officials at the border crossing points and claims that officials interfere in the election of leaders in refugee communities to prevent individuals deemed too vocal from getting elected. [Refugee scam: PS takes leave before suspending Kazungu | Monitor](#)

⁵⁷ See Joint Notification letter WFP-UNHCR, 27 January 2023.

and the cost of failures, as the problems in Uganda have shown, are very high in terms of fundraising and reputation.

296. Verification exercises which are indeed cumbersome procedures proved to be effective not only in the case of Uganda but also in Jordan where a one-year renewed registration is being carried out. In this country, at the request of the Jordanian Government, the country office conducted a census with the following results:

Table II.27

Number of refugees in camps in Jordan (2022 and 2023)

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

Source: Board of Auditors.

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

298. The quality of the registration should also be improved through progress towards a stronger inter-operability with WFP electronic tools. As the example of Uganda has shown, WFP is the most relevant organization when it comes to the data of “no show” (refugees who do not benefit anymore from food assistance). When UNHCR communicates to WFP its list of refugees, there is no systematic procedure by which WFP should transmit to UNHCR cases of “no show” electronically, which would require to be inactivated by both organizations.

299. Furthermore, UNHCR should consider how and to whom it is appropriate to delegate tasks in the registration process. The role of the governments in the process of registration is not questionable, even if many difficulties may appear with government procedures or practices. In this regard, the promotion of good practices and the training of governmental officers are critical as well as quick identification and warning by the country office on problems encountered.

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

301. The Board recommends that UNHCR improve registration processes in large camps, including by: (i) reviewing the *Guidelines on Registration and Identity Management* in order to foster a continuous registration approach in a one year cycle and to set verification schedules in case this approach is not feasible; (ii) reinforcing capacity building and support on anti-fraud procedures and ensuring a full application of the new policy and procedures on *Addressing Fraud Committed by Forcibly Displaced and Stateless Persons*, including the nomination of fraud local points where required; and (iii) implementing inter-operability gateway in all operations where data is exchanged between UNHCR and the World Food Programme.

302. UNHCR accepted the recommendation.

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

304. UNHCR has also set "Data, Identity Management and Analysis" (DIMA) Units in the regional bureaux and country offices in order to "*elevate data governance, data management capacity, provide data standards and upscale statistical capacity*".

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

306. Setting DIMA within regional bureaux was a significant step towards improving data quality and, according to UNHCR, plays an important role in monitoring data for operational response.

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

5.4. Needs assessment and expenditure

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

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

310. In this regard, the option of not isolating budgets for camps in the presentation of the needs-based budgets does not deprive UNHCR of the knowledge of the estimated needs of the camps, the assessment is carried out with all the stakeholders operating in the camps. However, this information is not shared with donors.

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

312. In most of the countries, the documentation provided by UNHCR does not allow the cost distribution to be identified. For instance, in Rwanda, until 2022, the reporting of UNHCR's country office did not make it possible to locate activities and identify the costs associated with each location (i.e. camps, settlements, etc.). As a

result, it is only from 2022 onwards that the budget can be broken down by camp in Rwanda. UNHCR reports primarily by outcomes/type of activity rather than by the different camps in which it operates.

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

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

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

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

317. UNHCR accepted the recommendation.

5.5. Governance of large camps, coordination and service delivery

318. UNHCR country offices play a double role:

- Co-management of large camps with host governments; this mission is largely handled by UNHCR⁵⁸ (see sect. 5.4.1.);
- Coordination and participation in sectorial activities, such as protection, education, health, nutrition, livelihoods, etc.; in line with the Refugee Coordination Model, host government, other UN agencies such as the United Nations Children's Fund (UNICEF), International Organization for Migration (IOM), WFP, etc., and international or local NGOs can also participate in sectorial programmes (see sect. 5.4.2.).

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

⁵⁸ Only the International Organization for Migration (IOM) and few NGOs, such as the Danish Refugee Council, may have similar responsibilities, and only in Bangladesh amongst the countries visited through the audit.

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

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

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

5.5.1. Co-management of large camps with host governments

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

Relations with host governments and local authorities

324. The role of the host government in the management of large camp is central. The camps are located on its territory and fall under its overall responsibility. The host state is responsible for setting the rules for the refugees (freedom or not of movement, work, education, construction, etc.), for the camp security, and for all aspects of camp life that the host authorities want to deal with. In this regard, UNHCR's role in operational management of camps is narrowly dependent on what host countries accept to share with the agency.

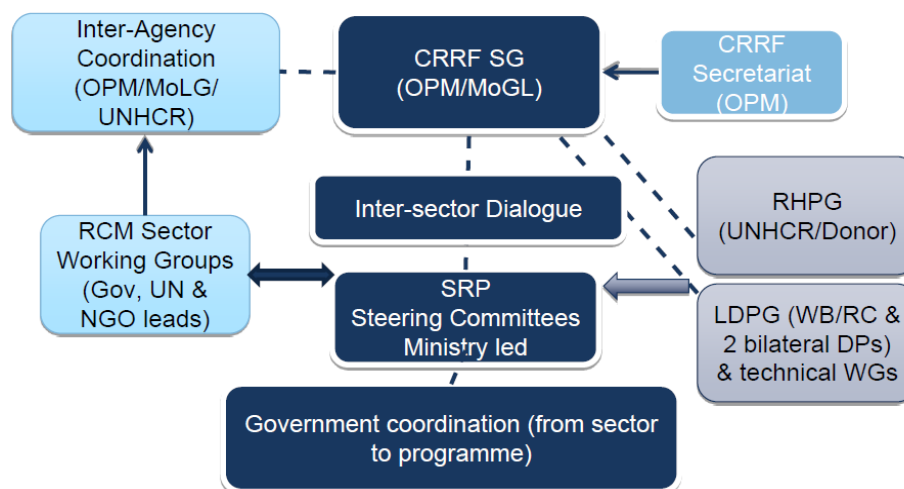
325. As a result, the quality of the dialogue with governmental authorities, both at central and local level, is crucial. UNHCR country offices cannot undertake their camp management activities without the consent of the host government and without a good coordination with the government institutions.

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

327. In all of the countries visited by the Board, the relationships with host governments are good or acceptable as far as camp management is concerned.⁵⁹ The country office representatives and their staff pay close attention to the quality of the dialogue and spend a lot of time dealing with the national and local authorities. This dialogue is both informal and formal. On the formal side, there is an approved coordination system which, in particular, that defines the various interlocutors, the committees or meetings to be constituted or held, and the frequency of the meetings and reports. In Uganda, for example, the coordination system is as follows, at national and at local levels:

⁵⁹ The question of urban refugees and their protection by UNHCR may be more controversial in some countries.

Figure II.5
General framework for coordination



Source: Uganda UNHCR CO (OPM: Office of the Prime Minister; MoLG: Ministry of Local Government; CRRF: Comprehensive Refugee Response Framework; SG: Steering Group; RCM: Refugee Coordination Model; SRP: Sector Response Plan; LDPG: Local Development Partner Group).

Governance of the camps

328. As co-manager of the camps and in compliance with the Refugee Coordination Model, UNHCR plays a role of coordination of activities implemented in the camp. The Board noted that this role was, in general, properly performed, thanks well-designed coordination structures and regular meetings with all the stakeholders (host country authorities, UN agencies and NGOs present in the camps). UNHCR leads the coordination of activities implemented in the camps and benefits from the recognition of the other stakeholders as intermediaries with the host authorities.

329. The camp coordination meetings, chaired by UNHCR (or co-chaired with the host authorities) and attended by the other stakeholders, should tackle questions of common interest rather than specific and technical issues linked to only one sector. To this end, sector meetings are held. Each sector has its own lead partner and team. UNHCR is part of most of the sectors in camps.

330. In several camps, UN agencies or NGOs complained that they lacked autonomy and were not reluctant to organize sectoral meetings, due to the fact all issues were monitored at the general coordination level.

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

5.5.2. Coordination and participation in sectorial activities

Relation with delivery partners

332. Within the camps, interactions with NGOs and other UN agencies are permanent to deliver the programmes. However, when it comes to the global camp governance, the interaction is less frequent and less formalized, as other UN agencies and NGOs are not formally involved. As mentioned above, the governance is shared between

UNHCR and the host governments. The other partners focus mainly with UNHCR on the preparation of the national responses and the definition of the targets for fundraising.

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

334. As camp management is about humanitarian priorities, especially for large protracted camps, UNHCR country offices could strengthen relations with UN resident coordinators in order to better integrate refugees and camps issues into the UN country strategy, at least in countries where the governments are open to a holistic approach.

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

336. UNHCR accepted the recommendation.

Forcibly displaced and stateless people's participation to the life of the camp

337. The level of refugee participation varies and is expressed through different ways and channels. In some cases, such as Rwanda and Uganda, refugees elect representatives in committees, which are consulted by UNHCR and the national authorities before important decisions are taken. In Jordan and in Mauritania, Representatives of refugees, issued from traditional designation and not from an electoral process, are also consulted; their legitimacy amongst the refugee communities may be real, but the situation is not deprived of certain distortions (over-representation of heads of traditional communities, under-representation of women, etc.).

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

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

340. With or without elections, refugees are often involved in the life of the camps through committees or groups they can join on a voluntary basis, and through voluntary activities for their communities. For example, in the Mbera camp in Mauritania, 31 associations have been set up. The UNHCR's country office is very active in promoting associative life, encouraging the participation in these groups,

financing some of the voluntary activities and spending a lot of time in group meetings and monitoring.

341. A last way to associate more refugees to life and management of the camps is to recruit some of them as local staff of UNHCR, other UN agencies or implementing partners, where it is allowed by national rules. UNHCR is committed to such practices, provided that refugees concerned receive adequate trainings.

Host communities

342. Some UNHCR programmes support host communities to contribute to the integration of refugees and to alleviate the pressure of influxes on these communities. In Rwanda, for example, the UNHCR activities concerned 152,402 people in 2022, including 119,664 refugees, 739 asylum seekers, 2,500 Rwandan refugee returnees, 9,500 stateless people, 15,000 people in host communities and about 5,000 other forcibly displaced and stateless people. In Bangladesh, there were 965,467 refugees as at 30 September 2023. In addition, the Joint Response Plan (JRP) also includes more than 500,000 host community members affected by the presence of refugees, i.e. more than one third of the total number of people in need are from host communities.

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

Protection

344. The protection of refugees is UNHCR's core mandate. It is a broad concept which could encompass all aspects of refugees' lives. The following observations on UNHCR's involvement in many sectors underline the difficulties to draw limits within the protection mandate.

345. However, some aspects fall fully or mainly under the responsibility of UNHCR. Physical safety and security in camps, for instance, must be ensured by the host country but UNHCR, as camp co-manager, is necessarily involved in maintaining order between communities and to the mitigation of criminality and tensions. In this regard, most of the camps visited by the Board are described by UNHCR as not affected by open conflict and violence. According to the Jordanian authorities, the criminality rate in the two camps would be lower than in the rest of the country. However, Cox's Bazaar in Bangladesh, is a concerning exception.

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

347. Issues related to community-based protection or to individual protection, such as protection against gender-based violence (GBV) in all of its components, are addressed unequally and sometimes very inadequately. On the one hand, UNHCR

may tend to minimize its role by considering that its protection mandate concerns the protection of communities (persons forced to flee) rather than individuals. On the other hand, it may rely on the role of the community to mitigate the risks, while some issues cannot be resolved by the community, for several reasons, assuming that the community is not at the root of the violence.

348. In all countries, UNHCR underlines its role in preventing child marriage. Some measures are taken to mitigate the risk. In Jordan, a marriage with a female child prevents the couple from obtaining a new shelter. However, while early marriages deserve to be fought, they are not the only issue included in the GBV.

349. 220 GBV cases were recorded in Mbera camp (Mauritania), 1,920 in Tanzania, 2,733 in Cox's Bazaar (Bangladesh), 4,189 in Mahama camp (Rwanda) and 12,428 in the two camps in Jordan.

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

351. The Board does not underestimate the difficulties faced by the management. However, these discrepancies could not be explained only by different cultural contexts. In this regard, UNHCR should review its approach of individual protection and its methods for tracking and recording GBV cases.

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

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

354. UNHCR accepted the recommendation.

Basic needs programmes

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

356. In all refugee camps, UNHCR delivers, on a continuous basis, programmes in sectors of assistance that are part of the core mandate of other UN agencies, in addition to protection⁶⁰.

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

358. Within the camps, UNHCR takes the lead in providing humanitarian assistance in such a way that it stands in for all activities whose needs are not fully covered by another organization. Either it substitutes to other actors, including UN agencies, which are not positioned to provide assistance to the camps themselves, or it is tied with infrastructures, that were built in a development manner and which it still has to

⁶⁰ "Practically speaking these accountabilities translate operationally into the following broad areas: [...] Delivery: of protection, assistance and facilitation of solutions"

maintain as long as it does not withdraw from the management of camps. In most refugee camps, UNHCR conducts, beyond protection, activities in health, education, water, sanitation and hygiene (WASH), nutrition and livelihoods, among others.

359. Framework agreements with UN agencies versus their translation in the field reality entails that UNHCR is directly implied on a wide range of programmes. The memorandum of understanding (MoU) between UNHCR and WFP states that “*in refugee camp settings, UNHCR and its implementing partners/operational partners are responsible for assessing, implementing, monitoring and evaluating nutrition programmes and the status of beneficiaries, including any selective feeding programmes that are necessary.*”⁶¹ Also, based on the Strategic Collaboration Framework between UNHCR and UNICEF⁶², “*this collaboration recognizes and does not seek to change the respective roles of the two organizations under the UNHCR Refugee Coordination Model.*”⁶³ For example, in Ugandan refugee camps, UNHCR’s activities in education are very broad. UNHCR pays the salaries of the teachers, which is a recurrent cost that should, in normal circumstances, fall under the responsibility of the government – or by non-state actors as part of a transitional inclusion pathway, as also detailed in the GCR. It should also be noticed that the commitment of UNICEF for refugee education in Uganda is very limited. In 2020, in Tanzania, the refugee examinations conducted by the National Examinations Council of Tanzania were paid by UNICEF and UNHCR (\$150,000 each).

360. UNHCR continues to support the cost of infrastructures built in camps with an overarching development perspective. As long as the camps are open and that the refugees need a comprehensive humanitarian assistance, these systems are difficult to hand over to other stakeholders. Indeed, this operator would have to charge consumers for the use of services. In Jordan, camps have been electrified since 2017. They are powered thanks to solar panels. From this time and until the refugees become self-sufficient or benefit from durable solutions, UNHCR has to maintain the system. This means that UNHCR has to support the cost for the maintenance and repair of the aging network and to pay monthly entitlements for electricians Refugee United Nations Volunteers.

361. UNHCR’s presence in each sector of the management of camps is reflected in the leadership of sectors. In camps, UNHCR leads most of the sectors, if not almost all of them. UNHCR staff is frequently involved in technical issues monitoring. That goes in opposition to the Refugee Coordination Framework which states that UNHCR “*encourage[s] sector leadership by partners with necessary capacity, expertise, and experience.*” This has the unfortunate consequence of lowering the skills of partners on the long run and discouraging newcomers from investing in camp management.

362. Co-management of a refugee camp and programming activities to camps require dedicated UNHCR staff, with specific skills and knowledge. Recruitment of such relevant international staff is more complicated due to the attractiveness of the location of refugee camps. Most of them are in hardship locations and non-family duty-stations. UNHCR’s position is to advocate to the International Civil Service Commission (ICSC) for criteria to camp locations that contribute to ensure attractive salary packages and to apply a reasonable rotation. However, some country offices continue to face difficulties to recruit specific profiles. For instance, the UNHCR sub-office in Bassiknou (Mauritania) is experiencing difficulties to recruit international staff, especially women profiles.

⁶¹ Memorandum of Understanding between UNHCR and WFP, January 2011, Article 3.22

⁶² In particular the article 1.8. “the two organizations will place specific focus on joint and complementary policy, programming, advocacy and resource leveraging and mobilization efforts in support of the objectives of this Framework.”

⁶³ Article 2.10.

363. Against this background, UNHCR's policy is to increase its reliance on national individuals and organizations, in a view of capacity-building and with a long-term perspective of phasing out. The Board welcomes this initiative. To efficiently implement this strategic orientation, UNHCR has to ensure that the implementing partners have the skills and knowledge to deliver the programmes efficiently. It should also ensure that these partners share the same corpus of values as UNHCR and, more broadly, the UN. During the visit of refugee camps, the Board noticed some difficulties in this issue. For instance, the country office in Mauritania has not renewed four implementing partners (one international and three local) for the year 2024 because they did not correspond to expected results, particularly in terms of efficiency.

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

365. UNHCR accepted the recommendation.

5.6. Performance and accountability

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

Coordination and management costs in large camps

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

Table II.28

Overview of the 2023 JRP in Bangladesh

(United States dollars)

Sector	Lead agency	UNHCR needs	Lead agency needs	Total needs	UNHCR share (in per cent)	Lead agency share (in per cent)
Food Security	WFP & FAO	2,500,000	209,000,000	234,840,933	1	89
Protection/CP/GBV	UNHCR (UNICEF UNFPA)	28,225,009	-	76,618,044	37	-
SMSD & Shelter-NFI	IOM & UNHCR	67,000,000	-	160,698,130	42	-
Livelihoods skills development	UNHCR	14,500,000	-	40,044,297	36	-
Health	WHO	22,000,000	11,506,000	97,325,626	23	12
Nutrition	UNICEF	3,300,000	10,350,120	40,044,297	8	26
Water, Sanitation, and Hygiene	UNICEF	28,000,000	21,044,478	78,756,385	36	27

Education	UNICEF Save the Children	14,206,445	33,190,000	71,186,346	20	47
ETS	WFP	-	1,150,000	-	-	-
Coordination	-	411,875	-	11,335,639	4	-

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

368. This identification of the coordination costs is explained by the scale of the Response and more specifically by the fact that, partly as a result of this scale, a specific structure for coordination and camp management has been created: the Intersector Coordination Group (ISCG). It is led by the Government of Bangladesh, composed of staff the ISCG, funded by international donors, remunerates (staff that may originate from UNHCR, IOM or other UN agencies but should be “neutral” towards these agencies). The ISCG plays a central role in the management of the refugee response, as well as plays a role in the sector coordination. In Bangladesh, there are 34 camps, 33 in Cox’s Bazar which constitute “*the camp*” of Cox’s Bazar, and one in the Island of Bhasan Char. Unlike in other countries, UNHCR is co-leading with IOM, the management of the 33 camps refugee camps in Cox’s Bazar while IOM does not play this role in Bhasan Char Island.

369. This example of Bangladesh, the only one where coordination costs among various UN and NGO agencies were identified, shows that the coordination is costly⁶⁴: even if the assessed needs are only 1.4 per cent of the total assessed needs for the response, \$11 million is a significant amount of money. For example, with a similar ratio of cost per refugee, this would mean that more than \$16 million would be needed for coordination for refugee response in Uganda, which does not appear in the data provided to donors. This \$16 million would represent for example 55 per cent of the assessed needs for the environment and energy sector (\$29.1 million in 2023), which shows that it is significant in the UNHCR expenses in the country.

370. This lack of measurement of coordination and management costs is linked to the difficulty to measure the time spent by country offices staff on these issues. The responsibility is shared between the Representative, his/her deputies and the teams in charge of programmes and operations, as well as the staff in charge of support activities. However, in many countries that host camps, a dedicated sub-office or field-office is in charge of camps activities. This means that these staff are mainly allocated to the management of camps.

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

Performance of UNHCR in the management of large camps

372. The UNHCR country offices have impact, outcome and output indicators in COMPASS (UNHCR’s results-based management approach), that gives an idea of their performance in many fields (for example, whether the targets are reached in protection, in education when they are in charge, in livelihoods, etc.). Such indicators have not been provided to the auditors for the two issues examined (camp management) and below (sector coordination).

⁶⁴ With the budgetary constraints, it was decided in 2022-23 to undertake a significant reduction of the costs of ISCG and coordination in the Response.

373. This may be mainly due to the difficulty to specifically measure an output directly linked to the quality of coordination and management.

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

375. In Bangladesh, the situation is without equivalent in other countries. Where UNHCR is not in charge of the overall management of the camp, it is only in charge of 16 camps management, while IOM being in charge of the other 17 camps. Each of these 33 camps has an average of 30,000 refugees and these camps, except for Bhasan Char, are located in the same area without, most of the time, clear delimitation between them. It is a unique opportunity to compare the performance of UNHCR and IOM placed in the same situation and with the same responsibilities of management in very similar camps.

376. The Board noted differences in sector management. For example, devices and organizations were different for energy and for shelter, with differences in efficiency. However, the Board did not note any significant differences between IOM and UNHCR in camp management and in relations with the Bangladesh government, and no obvious difference in performance.

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

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

379. UNHCR accepted the recommendation.

C. Transmissions of information by management

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

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

2. Ex gratia payments

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

3. Cases of fraud and presumptive fraud

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

irregularities. The primary responsibility for preventing and detecting fraud rests with management.

422. UNHCR reported 24 cases of substantiated fraud during 2023 and four cases of alleged fraud by implementing partners resulting in financial losses of \$0.4 million (2022: \$1.2 million). Of the 24 cases, 21 were committed by staff members and 3 by a vendor. The staff cases involved entitlement/benefit fraud, procurement fraud, medical insurance fraud and other fraud.⁶⁵ As at 31 December 2023, 47 fraud cases⁶⁶ were still under investigation by the Inspector General's Office.

D. Acknowledgement

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

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

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

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

24 July 2024

⁶⁵Of the 21 cases, 3 were classified as theft.

⁶⁶Four of the cases are recorded as theft and two as threats/theft/assault.

Annex

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

No.	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	2022	A/78/5/Add.6, chap. II, para. 56	The Board recommends that UNHCR apply specific inventory identifiers, instead of generic ones, for items that are not similar in nature.	UNHCR has implementing a new Cloud ERP system in which items are recorded under the same item identifier if they are by nature substantively the same or substitutable. Unique identifiers have been implemented for the core inventory items, except for spare parts for GFM, and medical items. UNHCR is in the process of finding an optimal solution for these com-plex items which have not been treated as inventories previously. (See Supply manual Section 3.1 describing how new Item IDs are implemented in Cloud ERP).	Generic items are no longer identified in the new ERP system. Inventories are now estimated using the average costs method for all the items. The Board has been provided with the calculation file to assess this change in method and can conclude that there is no material impact on the accounts. The Board considers the recommendation as overtaken by events.				x
2	2022	A/75/5/Add.6, chap. II, para. 63	The Board recommends that UNHCR take the opportunity of the new Cloud ERP system to improve the quality of the freight costs calculation.	UNHCR will implement the concept of "Trade Operations" (TO), a standard functionality of oracle by which – every time goods are received, you identify & associate a freight cost uplift and add the value to the purchase value of the goods. The new functionality will be applied from 2024 following required testing and preparation work. The new TO system will apply operation-specific standard costs uplifts to match each operation's (inventory cost organization's) own transport costs to its own purchases. The uplifts will be modified at regular intervals to update the standard applicable based on recent actual experience. GSM warehouses will also together represent a separate inventory cost organization for the purposes of ancillary cost capitalization for inventory. For DONIK – separate Trade Operations	The same observation as last year applies on the freight costs. The UNHCR should take the opportunity of the new Cloud ERP system to improve the quality of the cost calculation in 2024. The Board considers the recommendation as under implementation.		x		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
				<p>templates at standard rates for overland (15% of FV) and air shipments (25% of FV) respectively will be applied. For certain classes of goods (in particular, light vehicles) the actual transport cost invoices will be matched to the goods invoice instead of applying the standard rates. This applies to both first leg and second leg transport for vehicles.</p> <p>The work to develop the relevant trade operations templates has started and is intended to be implemented from the 4th quarter 2024. For 2023, the standard uplift approach applied in prior years will continue to apply, but with the change that the calculation will reflect the adjustment for DONIK (as identified by Board in 2022) to avoid duplication of capitalization.</p> <p>The replenishment margin is charged on global stockpile transfers to operations, and which covers non-capitalizable costs will not be added to inventory value for IPSAS as this mark-up does not represent inventorizable costs for IPSAS.</p>				
3	2022	A/78/5/Add.6, chap. II, para. 74	The Board recommends that UNHCR record all consumables stored in controlled (warehouse) locations in the new Cloud ERP system and apply identical procedures as for other stock items (purchases, distributions, physical verifications, etc.).	In cloud ERP, UNHCR has begun to account for consumables stored in official UNHCR warehouse as inventory rather than to expense these immediately. With the exception for spare parts for GFM, and medical items that UNHCR is in the process of finding an optimal solution for these complex items, all other items in warehouse locations are now considered and treated as inventory and part of the physical	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
				counts, irrespective of their previous accounting specification.				
				Consumables were migrated to cloud ERP by capitalizing them individually. The lump sum capitalization which was estimated at end of 2022 is released in 2023. The change from estimate to detailed accounting is not a change in accounting policy in 2023.				
				The process of capitalization as inventory has not yet been rolled out in controlled storage at non-warehouse locations (e.g. laptops in a locked office location). The value of inventory at such locations is not expected to be material.				
4	2022	A/78/5/Add.6, chap. II, para. 83	The Board recommends that UNHCR issue a policy on employee benefits liabilities valuation describing the controls attributable respectively to UNHCR and its actuary.	UNHCR issued an SOP instruction that describe the key controls that must be applied in the calculation of employee benefit liabilities, both by UNHCR and by its actuary. The instructions will be finalized and shared with the actuary and will be implemented for the 2023 annual financial reporting cycle.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		
5	2022	A/78/5/Add.6, chap. II, para. 101	The Board recommends that UNHCR conduct and document a detailed review of expenses where cut-off error risk is high, in particular of the most material procurement transactions, such as transportation or fuel.	As part of the 2023 year-end closing procedures, UNHCR conducted and documented a targeted review of material charges with high risk of cut off error in the first quarter of 2024 for the next financial year. This was documented in a memo and documents provided for audit purposes UNHCR continue to believe that a lump sum accrual will realistically cover significant cut-off errors and we think this will address the recommendation. UN-HCR would like to discuss further with Board in view of the new PO	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				functionality that could provide better visibility of items that could partly present cut-off errors.					
6	2022	A/78/5/Add.6, chap. II, para. 116	The Board recommends that UNHCR review and document asset disposal requests against the property, plant and equipment register at year-end closure to ensure that its new guidance concerning transfer of ownership of assets is effectively implemented.	In the design of its new Cloud ERP system, UNHCR will implement a new process that allows to record transfer of assets to partners without the need to manually change the asset status as 'in service' as is done in the current system. A new class of assets (pending transfer) and if active, will be used to capture such assets held for disposal. Assets purchased for distribution should be held in inventory (See IPSAS Policy see par 350). In The new Cloud ERP, all purchases are recorded as inventory and only upon final determination is made, then it is either transferred or capitalized.	The Board concurs with the statement of the Administration as with the new Cloud ERP the recording for transfer of asset has changed and considers the recommendation as overtaken by events.				x
7	2022	A/78/5/Add.6, chap. II, para. 117	The Board recommends that UNHCR record all necessary impairments through an annual review of all assets older than one year, especially of vehicles held in three warehouses (Chon Buri, Thailand, Dubai, United Arab Emirates, and Rotterdam, Kingdom of the Netherlands).	UNHCR has issued an updated Administrative Instruction on Accounting Policy Framework (UNHCR/AI/2023/06 issued on 1 September 2023) that reads, as per paragraph 392, footnote 53, "an annual review is required to ensure that no significant overstatement of inventory values arises and/or reclassification to PPE and commencement of depreciation is required to ensure UNHCR physical assets are materially correctly presented in the annual financial statements as a result of such delayed distribution from inventory". The review required by this policy will be conducted as part of year-end 2023 closure activities.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.				x
				DFAM has issued instructions to the regional bureaux to review and provide					

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
				information on asset impairments.				
				In addition, a review of the status of vehicles in storage has been carried out to determine the amount of impairment for those that have been stored for more than 12 months.				
8	2022	A/78/5/Add.6, chap. II, para. 126	The Board recommends that UNHCR enhance the role of the regional bureaux in the internal control process.	<p>UNHCR regional bureaux are consulted initially when the questionnaire is reviewed to capture particularities of the cycle and they have the opportunity to flag new risks /controls that could be included in the questionnaire.</p> <p>Starting with the 2023 cycle, bureaux have taken an active role in conducting quality review of the self-assessed rates initially submitted by country operations. Bureaux are submitting the results of the quality review to the HQ, and findings of such review are further factored in the overall considerations leading to the formulation of the Statement of Internal Control.</p>	The Board has reviewed all documentation provided by management and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		
9	2022	A/78/5/Add.6, chap. II, para. 152	The Board recommends that UNHCR secure all access rights in its new enterprise resource planning system, taking into account the segregation of duties and changes in employee positions.	Upon launching the new Cloud ERP, UNHCR has issued specific guidance on access and roles management in the form of the Implementation Note 4. This guidance provides an overview concerning the roles and data security access rights that a user should be assigned in order to exercise specific functions in Cloud ERP. The new framework implemented in Cloud ERP is referred to as DOARP (Delegation of Authority and Role Provisioning in Cloud ERP). The guidance also introduces standard templates based on which the roles and accesses are	The Board considers the recommendation as overtaken by events (see new recommendation para. 70).			x

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No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
10	2022	A/75/5/Add.6, chap. II, para. 201	The Board recommends that UNHCR ensure more consistency in the way risks are reviewed and can be escalated at the level of regional bureaux, and reassess the level of monitoring needed on the less critical ones.	<p>recorded in the system, and which include segregation of duties criteria, explanation of roles and mapping roles to typical functions. A network of Cloud ERP Roles Focal Points has been established, and these dedicated focal points have now direct access to DOARP reports in the system to facilitate regular and timely updates. Each office is responsible to maintain its DOARP via submitting duly approved and reviewed requests for updating the DOARP through a central HQ team via a Global desk system, each time there is a change in the office's team.</p> <p>With regards to part 1) of the recommendation, the ERM Service, in coordination with Regional Risk Advisers in each bureau, has undertaken the following steps to ensure more consistency in the ways risks are escalated.</p> <ul style="list-style-type: none"> • Clarified guidance in the risk review instructions. • Reflected reviewing the handling of Escalated risks in the SOPs for quality assurance of the 2024 Risk Review. • Provided specific feedback to operations where risks were not escalated correctly (mostly verbally but also in some cases through written feedback). • Included more reflection on escalated risks and the role of the bureau in the annual Regional Reports. • Published further guidance on the intranet in the form of an article. <p>With regards to part 2) of the recommendation, the ERM Service, in coordination with Regional Risk</p>	The Board has reviewed all documentation provided by management and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
11	2022	A/75/5/Add.6, chap. II, para. 212	The Board recommends that UNHCR adopt, as a complement to the issuance of its corporate risk appetite statement, a consistent methodology for defining internally its tolerance for operational risks at the field level.	<p>Advisers in each bureau, has undertaken the following steps to reassess the level of monitoring needed for low risks.</p> <ul style="list-style-type: none"> • Clarified guidance in the risk review instructions. • Reflected reviewing the handling of Low risks in the SOPs for quality assurance of the 2024 Risk Review. • Provided specific feedback to operations where low risks were reflected. <p>A draft Global Risk Appetite Statement has been developed. The document has gone through an extensive round of consultation (at headquarters and the field) and the revised version will shortly be shared again with Divisions before being submitted to the Field Reference Group and ultimately the SET. The aim remains to have the document endorsed internally by the end of 3rd quarter.</p> <p>In addition, four pilot country operations (Sudan, Ethiopia, Ukraine and Kenya) have identified key risk indicators and begun collecting data on them. Discussions to set tolerance thresholds for these indicators are ongoing. Based on these pilot experiences an SOP and reporting template are under development which will be road tested in 2nd quarter and 3rd quarter in the next round of operations to roll out risk appetite.</p>	Work is still ongoing. The Board considers this recommendation as under implementation.		x		
12	2022	A/75/5/Add.6, chap. II, para. 267	The Board recommends that the Administration revise the 2021 procurement framework by (a) lowering the threshold for formal solicitation to ensure effective monitoring	The revised HCP on Procurement is going to be issued at the beginning of 2024, the adjustment of the AI on Procurement to address these recommendations is in progress. b) Planning will be addressed by the AI	Work is still ongoing. The Board considers the recommendation as under implementation.		x		

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No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
			and oversight of procurement actions; and (b) addressing key loopholes, particularly in terms of planning, training and staff qualifications.	and staff qualifications are addressed by the freshly issued "Supply Function Description and Benchmark" document, which is part of the HCP. Over the last year a lot of trainings have been conducted to cover the introduction of the Cloud ERP and the new HCP and AI.				
13	2022	A/75/5/Add.6, chap. II, para. 297	The Board recommends that UNHCR enhance strategic leadership on procurement at the highest level and allocate as efficiently and effectively as possible the procurement activities to be carried out at the country operation, regional bureau and headquarters levels.	The new Supply Operating Model being implemented by UNHCR foresees a stronger role for the regional bureaux supply teams to coordinate the annual Procurement Planning and consolidation at regional level. The Supply Management Service (SMS) at HQ level, will review which part of the aggregate Consolidated Procurement Plan should be sourced internationally (i.e. through SMS), against what must be procured locally (through local or regional Supply teams). As part of the updating of the regulatory framework, UNHCR will improve the consolidated procurement planning and in addition develop procedures to plan and track the ordering of goods and services.	Work is still ongoing. The Board considers the recommendation as under implementation.		x	
14	2022	A/75/5/Add.6, chap. II, para. 315	The Board recommends that UNHCR define and implement a prioritized demand and supply plan for each entity, and define tools and additional mechanisms to monitor procurement throughout the year.	The new Supply Operating Model being implemented by UNHCR foresees a stronger role for the regional bureaux supply teams to coordinate the annual Procurement Planning and consolidation at regional level. The Supply Management Service (SMS) at HQ level, will review which part of the aggregate Consolidated Procurement Plan should be sourced internationally (i.e. through SMS), against what must be procured locally (through local or regional Supply teams).	Work is still ongoing. The Board considers the recommendation as under implementation.		x	

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
15	2022	A/75/5/Add.6, chap. II, para. 352	The Board recommends that UNHCR develop a more systemic approach in the way that procurement and inventory management are linked.	<p>As part of the updating of the regulatory framework, UNHCR will improve the consolidated procurement planning and in addition develop procedures to plan and track the ordering of goods and services.</p> <p>UNHCR has configured the new Cloud ERP to enable the evaluation of alternative sourcing options by a category manager or a buyer, including sourcing from existing inventory.</p> <p>The buyer-command centre has been introduced as part of the roll-out of the new Cloud ERP. It allows a centralised steering and coordination of defined procurement categories, including inventories.</p> <p>In addition, the demand and supply planning solutions have also been parameterized and the related processes are under development. Additional checks and alerts are also included as measures to optimize the inventory on hand.</p>	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
16	2022	A/75/5/Add.6, chap. II, para. 369	The Board recommends that UNHCR strengthen the role of the second "line of defence" in key internal controls on procurement processes, including at the regional level.	<p>UNHCR has introduced a new Supply Operating Model. This new framework aims to strengthen the procurement teams in the regional bureaux, giving them responsibility for complex local purchases, which in the past were carried out by country teams. International purchasing will also be handled by a strengthened Global Service. This framework is supported by the new Cloud ERP that was launched in September 2023. UNHCR also considers reviewing the criteria for selecting the most appropriate purchasing method.</p>	The Board acknowledges the efforts made by the Administration to clarify the supply function at local, regional and central levels. However, this does not address the issue referred to in paragraph 370, Chapter II. The Board considers the recommendation as under implementation.		x		

No.	Year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
				<p>The new SC Operating model outlined at the new SCM Strategy provides a description of the role of RBs as a “second line of defence” in relation to procurement and other SCM areas. This is strengthened by a supply structure at RBs guided by standard benchmarks enabling the RB to engage in more review and monitoring activities.</p> <p>This standard structure of RBs is part of the Supply Function Description and Benchmark two-pager document that defines the roles and minimum requirements of the Supply function at local, regional and field level. This document has also become part of the Handbook for Designing Field Presences, issued by the Strategic Workforce and Structural Planning Section, DHR, ensuring its application (See page 71).</p>				
17	2022	A/75/5/Add.6, chap. II, para. 410	The Board recommends that UNHCR regularly undertake a review of the most frequent cases of non-compliance in procurement identified by the relevant procurement review authority, and put in place appropriate measures to tackle the root causes of those weaknesses, in order to improve the oversight of procurement processes at all levels.	UNHCR has already been reviewing and analyzing cases of non-compliance related to procurement activities detected either through secondary review by the internal procurement review authorities or through the review of external review authorities in several ways. UNHCR will review how this root cause analysis might be further enhanced, for example through conducting additional checks on samples of procurement activities. The new revised AI on Procurement will further elaborate on how the recommendation will be implemented in practice.	Work is still ongoing. The Board considers the recommendation as under implementation.		x	
18	2021	A/77/5/Add.6, chap. II, para. 27	The Board recommends that UNHCR follow up on the impact and costs of the	A comprehensive evaluation of the decentralization and regionalization reform is included in the 2023 – 2024	Work is still ongoing. The Board considers the		x	

<i>Audit report</i>	<i>No.</i>	<i>year</i>	<i>Report reference</i>	<i>Board's recommendation</i>	<i>Management/Administration's response</i>	<i>Board's assessment</i>	<i>Status after verification</i>			
							<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>	<i>Overtaken by events</i>
				decentralization and regionalization reform through completing a comprehensive evaluation to establish if the intended results foreseen in the 2019 framework decisions on decentralization and regionalization have been achieved.	work programme for the UNHCR's Evaluation Office.	recommendation as under implementation.				
19	2021	A/77/5/Add.6, chap. II, para. 28	The Board recommends that UNHCR closely monitor the implementation of the strategic workforce planning methodology and its impact on the strengthening of country presences in view of the intended goals of the decentralization and regionalization reform.	UNHCR is closely monitoring the implementation of the strategic workforce planning (SWP) approach. For example, the operations were requested to report within the 2022 internal control questionnaire whether they had prepared HR action plans. 7 HR action plans for Evaluation Office, Liberia, Ghana, Venezuela, Iraq, Burundi and Syria have been developed and are under implementation. These plans are a key result derived from the workforce planning exercises that operations are encouraged to undertake.	UNHCR is also building the capacity of Operations in general, and HR teams in particular, to implement the SWP approach through a newly developed Workforce Planning Handbook which was released in July, 2023 for use by the HR community and planners. It is accompanied by a HR action plan toolkit with menus of talent interventions, sample plan and KPIs. The main objective of this Handbook is to operationalize the workforce planning approach that UNHCR adopted in 2021, complementing our multi-year planning and programming strategy. Programme handbook is fully aligned with the workforce planning approach has been	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			

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<i>Audit report</i>	<i>No.</i>	<i>year</i>	<i>Report reference</i>	<i>Board's recommendation</i>	<i>Management/Administration's response</i>	<i>Board's assessment</i>	<i>Status after verification</i>		
							<i>Implemented</i>	<i>Under implementation</i>	<i>Not implemented</i>
	20	2021	A/77/5/Add.6, chap. II, para. 37	The Board recommends that UNHCR summarize existing documents into one formal accountability framework that defines roles, authorities and accountabilities in the organization in a compulsory manner and that it includes reporting lines and authorities.	<p>embedded in the PLAN, GET and SHOW phases of the programme cycle – it was released in the fourth quarter of 2023.</p> <p>UNHCR has revised the roles, accountabilities, and authorities (RAAs) for country offices, regional bureaux, and headquarters divisions. Over the past three years, many lessons have been learnt, which are reflected in these latest versions that were re-issued by the High Commissioner in December 2022.</p> <p>The updated RAAs include new content in key areas of work including emergency preparedness, climate action, IDP response, protection from sexual exploitation and abuse, and sexual harassment, security management, communication, resource mobilization, data management, evaluation, controls, risk management and oversight. The RAAs, together with policies and administrative instructions constitute a foundation block of UNHCR's accountability framework and are a guide to empower teams and support decision-making at every level of our organization. UNHCR intends to bring together these components in a formal accountability framework in 2024 following the finalization of the Business Transformation Programme.</p> <p>In the finalization of its overall accountability framework, UNHCR will also be informed by the outcomes of the JIU report on the Review of Accountability Frameworks in the United Nations system organisations, issued in June 2023</p>	Work is still ongoing. The Board considers the recommendation as under implementation.		x	

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
21	2021	A/77/5/Add.6, chap. II, para. 74	The Board recommends that UNHCR reshape its results-based management guidance to ensure the intended reorientation of strategic planning and set a focus on the required mind-shift towards the intended added value of the new approach, the multi-year planning and the practical implementation of COMPASS.	UNHCR has revised and consolidated all its RBM and programming guidance and policies over the past two years to fully reflect its multiyear strategic planning approach and the transformation brought about through COMPASS. The new Programme Handbook and DSPR policies and procedures on programme and resource management were issued in 3rd quarter/early 4th quarter of 2023. The Programme Handbook provides guidance and tools on strategic planning, including development of the vision, theories of change and results framework. In response to demand for training to improve the quality of strategic planning, DSPR has deployed a number of missions to operations in 2023 (Mauritania and Mozambique) and bureaux (EAHGL, Europe and West Africa) to pilot and roll out training of trainer in the context of ongoing strategic planning exercises which will feed into the capacity development strategy. Furthermore, dedicated capacity-building officers continue to be deployed to all regional bureaux since early 2021 to accompany this process.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.		x		
22	2021	A/77/5/Add.6, chap. II, para. 85	The Board recommends that UNHCR complement the COMPASS tool with enhanced reporting functionalities based on identified needs of the users.	UNHCR has developed reporting functionalities which includes a business intelligence tool (RBM BI/Results Data Portal-RDP) that allow both global and detailed COMPASS data analysis, as well as the creation of customized reports for specific needs. The majority of the COMPASS content is now on the RDP accessible to all UNHCR staff. By the end of 3rd quarter of 2023, number of reports were developed on the RBM BI– namely Monitoring and	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.		x		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
23	2021	A/77/5/Add.6, chap. II, para. 87	The Board recommends that UNHCR further enhance the user-friendliness, functionalities and operational capabilities of the COMPASS tool.	Evaluation Priorities, Indicator AGD Disaggregation, Annual Results Report Validation, improvement on Strategy Report along with COMPASS realignment. UNHCR has been improving and enhancing the COMPASS tool, particularly considering the lessons learnt collected in 2021 which allowed to capture end-users feedback and identify areas of improvements (mainly focussed on performance, stability, user experience and reporting capabilities). In 2022, in the key areas of budgeting and results chains management, user friendliness improvements have been implemented with positive feedback from the end user community, as well as functional and reporting improvements in the Position Management functionality. The Results Data Portal has also been improved to provide reports and analytical views to support decision-making and Results-Based Management. In 2023, additional enhancements were included in the scope of work of the COMPASS realignment project as part of the larger Business Transformation.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		
24	2021	A/77/5/Add.6, chap. II, para. 101	The Board recommends that UNHCR streamline the measurement of programme results by interconnecting sectoral information available in other systems such as CashAssist, PROMS to feed into COMPASS, the new results-based management tool.	A 2021 inventory of UNHCR operational HQ data systems by GDS found a lack of interoperability for many of these systems, hindering evidence-informed decision-making. An inventory conducted in 2021 by the Global Data Service, in respect to UNHCR operational headquarters data systems, found a lack of interoperability for many of these systems, hindering evidence-informed decision-making. Updated guidance on managing the core	Work is still ongoing. The Board considers the recommendation as under implementation.		x	

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
						Implemented	Under implementation	Not implemented
				<p>indicators is included in the recently issued Programme Handbook, making a clearer link to other operational data systems to ensure that they are taken into account comprehensively in monitoring, adjustment and reporting. While an automated flow of data from the sectoral systems to COMPASS is not envisaged, the results indicator information will be automatically shared from PROMS to COMPASS.</p> <p>In addition, since 2022, UNHCR has implemented Orion, establishing a robust foundation for combining operational data, beginning with population and location data, spread across disconnected enterprise systems into a centralized data platform and enabling integrated analysis to aid data-driven decisions. This creates valuable insights from reliable data that support stronger advocacy and more effective targeting of interventions. GDS is working on expanding the inventory to include all data being collected by operations and bureaux and on ingesting more data from different data domains into the Orion Analytics Centre</p>				
25	2021	A/77/5/Add.6, chap. II, para. 111	The Board recommends that UNHCR prioritize the use of core impact and outcome indicators and encourage appropriate use of good practice and user-defined indicators to ensure coherent and aggregable reporting.	<p>UNHCR has reviewed and improved core impact and outcome indicator guidance to improve use which was published in 4th quarter of 2023.</p> <p>UNHCR also developed guidance for prioritised good practice indicators to further encourage and improve use and has been monitoring the use of good practice and user-defined indicators to understand how this flexibility has been utilized, recognising that this was a key</p>	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		

No.	Year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
26	2021	A/77/5/Add.6, chap. II, para. 112	The Board recommends that UNHCR continue to review and monitor the selection and use of output indicators, with a view to consider developing a subset of relevant output indicators for global aggregation and reporting.	<p>requirement coming from field operations at the time when the new results-based management system was developed. The lessons learned has fed into the review of indicator guidance and further organisational efforts to enhance the management of indicators, including via the Programme Handbook that was issued recently.</p> <p>In the fourth quarter of 2023, UNHCR introduced a set of core output indicators that operations will start using in COMPASS for 2024 strategies. Detailed guidance has also been developed for these indicators to ensure harmonised use (See new programme handbook section 5.5). This set will be used for global reporting with results data available for the first time in 2025 and will help to streamline the aggregation of output.</p> <p>UNHCR will configure core output indicators at the end of 2023 and report on them in 3rd quarter of 2024 (mid-year 2024) and in early 2025 (end year 2024).</p>	<p>Inssofar reports on output indicators are not yet published. UNHCR plans to use them for global reporting in 2025. The Board considers the recommendation as under implementation.</p>		x		
27	2021	A/77/5/Add.6, chap. II, para. 117	The Board recommends that UNHCR carefully review the comparability of indicators that are intended for global presentation and ensure the availability of baseline data.	<p>The review of core indicator data was systematically undertaken as part of the 2022 Annual Results Reporting. Core indicator data was published in mid-2023 as part of the Global Report and in Annual Results Reports of 50 operations. Since this was the first time that data for the new indicators was shared, UNHCR has used this internal review and external reporting to learn lessons and refined its detailed guidance in the Programme Handbook (See page 66 -68).</p>	<p>The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.</p>		x		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
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28	2021	A/77/5/Add.6, chap. II, para. 208	The Board recommends that UNHCR improve its mechanisms for the tracking of large orders of information technology-related serially tracked items in the new enterprise resource planning system and strengthen the compliance of field operations with the policy on serially tracked items.	<p>In the new Cloud ERP, the serially tracked items (which has been renamed as low value tracked items) will be tracked through the same functionality as the one used for other fixed assets. While the low value tracked items will continue to be fully depreciated immediately, they are nevertheless recorded in ERP for tracking and good asset management purposes, even if they are fully depreciated assets for IPSAS purposes. LVTIs are maintained as records in the ERP system for a predefined period of time established by the organisation, or until disposal if earlier. The new policy manual reflects the new approach. See Paragraph 178 of UNHCR_AI_2023_06.</p> <p>All previously STIs (now LVTI) were migrated to Cloud ERP as capitalized and fully depreciated assets in the fixed asset register. New LVTI will also be 100% depreciated after acquisition and capitalization.</p>	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
29	2021	A/77/5/Add.6, chap. II, para. 234	The Board recommends that UNHCR accelerate its separation process to minimize the number of cases that last beyond the turn of the year.	<p>Following the launching of the new Digital HR system in late 2022, UNHCR has explored more efficient ways to deal with the completion of the separation procedures. The separation procedures do not only consist of actions taken in the HR system but also in the new Cloud ERP, which was launched in September 2023.</p> <p>New Payroll Dashboards are now available in Workday to support the tracking of separation cases and highlight cases that are pending longer than the processing benchmark set for separations.</p>	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			

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30	2021	A/77/5/Add.6, chap. II, para. 235	The Board recommends that UNHCR ensure the timely recognition of special post allowances and salary increases after promotion to higher staff categories in the new enterprise resource planning system.	<p>UNHCR has implemented necessary process enhancements in the newly implemented Digital HR system, to optimise and improve the timing related to the management of special post allowances and salary increases following promotions. The designation of a staff member to temporary role that would result in SPA or salary increases must be initiated in the new Digital Human Resources system. This allows for tracking of progress in the processing of the new assignment and an automatic report on Temporary Functions was introduced for Human Resources Partners and automatic inbox notification is created to notify the manager to complete the SPA questionnaire, which is also simplified. The full process is the following:</p> <p>Temporary Higher Function and SPA process in Workday is initiated by the Manager/local Human Resources who must first create a Job Requisition (JR). A Temporary Position is being created at the level of the post through a JR, the budget for SPA purposes is therefore identified at the time of recording Temporary Higher Functions. 3 months into the Higher Functions, the manager of the concerned colleague will receive an inbox item to complete the SPA questionnaire which is a simplification: instead of an SPA memorandum, Managers are required to answer 2 simple questions. Upon completion of the questionnaire, Human Resources partners receive an inbox item to process SPA. Human Resources partners also receive</p>	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			

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31	2021	A/77/5/Add.6, chap. II, para. 241	The Board recommends that UNHCR ensure the recording of salary payments in the appropriate financial period by integrating all other payroll elements in the global payroll subledger of the new enterprise resource planning system to avoid staff-related journal entries on general ledger accounts.	an automatic report about Temporary Functions, which helps them track pending SPA questionnaires at the manager's level (they can remind managers about completion if need be). UNHCR has recently adopted a new enterprise re-source planning system (Cloud ERP) which integrates all payroll accounting procedures into the subledger and will enhance the automation of the payroll journal entries that are currently posted manually. The Cloud ERP payroll integration includes a complete automation of the payroll accounting based on mappings of the payroll elements. The Cloud ERP receives payroll results by elements and also budget information. The corresponding general ledger debits and credits in the right accounting combinations are then derived. In cases where information is missing from the Work Day data source, we have a process to post the payroll results in a suspense cost centre so that analysis can be performed and then in-form adjustments in GL and in the PPM module. Year-end accruals remain a manual process based on payroll data in Work Day and on general ledger data in Cloud ERP.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		
32	2021	A/77/5/Add.6, chap. II, para. 273	The Board recommends that UNHCR improve its data sources for the reporting of staff in between assignments and use the valid data from the payroll system as an information basis.	UNHCR is taking measures in the newly adopted system Workday to streamline the data sources for staff in between assignments and will present enhanced information based on various parameters related to staff in between assignments to address the needs of various target audiences in a consistent manner.	Work is still ongoing. The Board considers the recommendation as under implementation.		x	

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						Implemented	Under implementation	Not implemented	Overtaken by events
33	2021	A/77/5/Add.6, chap. II, para. 286	The Board recommends that UNHCR update its financial risk management strategy and guidelines, conduct updates on a regular basis, and specify in the guidelines how UNHCR assesses, monitors and mitigates the credit, liquidity and market risks (in particular currency and interest risks) at the individual and portfolio level.	UNHCR is working to develop and present SIBA data. UNHCR has updated the investment guidelines regarding core treasury management, (liquidity, foreign exchange, investments) and its related treasury risk management, methodologies and assessment.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
34	2021	A/77/5/Add.6, chap. II, para. 294	The Board recommends that UNHCR design additional automated key performance indicators that can be objectively calculated on the basis of data recorded in the new enterprise resource planning system and that complement the information used in generating the statement of internal control.	UNHCR will identify performance indicators that can be calculated based on data recorded in the system and that can be relevant in assessing the functioning of various controls. These indicators will be used to complement the information collected through the self-certified internal control questionnaire, as part of the process to prepare the statement of internal control. The Cloud ERP system was launched in September 2023 and the new system needs to stabilize before we are able to effectively implement the new indicators. This will be linked with the CFR which is based on a new technology – Fusion Analytics.	Work is still ongoing. The Board considers the recommendation as under implementation.		x		
35	2021	A/77/5/Add.6, chap. II, para. 310	The Board recommends that UNHCR review the accounting process of implementing partners with regard to an automation and simplification that makes manual intervention almost redundant	In the context of the Business Transformation Programme, UNHCR has implementing a tool, i.e. PROMS, that has automated the main partnership management processes and reduce the manual intervention in the posting of financial transactions. PROMS went live on 8 November 2023 and once the	Work is still ongoing. The Board considers the recommendation as under implementation.		x		

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification		
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			in the new enterprise resource planning system.	stabilization period is completed, this recommendation will be considered as implemented.				
36	2021	A/77/5/Add.6, chap. II, para. 318	The Board recommends that UNHCR strengthen the link between performance review and release of additional instalment payments and enable the documentation of the review in the upcoming software solution.	UNHCR has been improving the link between performance review and financial verification leading to requests for new instalments. The process of requesting instalments has been automated within the PROMS that went live in 4th quarter of 2023. It is expected that this automation will contribute to significantly enhancing partnership management in this area. Once the stabilization period for the new PROMS is completed, this recommendation will be considered as implemented.	Work is still ongoing. The Board considers the recommendation as under implementation.		x	
37	2021	A/77/5/Add.6, chap. II, para. 322	The Board recommends that UNHCR use the tools available to take further steps to improve compliance with its deadlines with regard to partner financial reports.	UNHCR will automate the process of submission of the partner financial reports within the PROMS project. This automation is expected to enhance the compliance with the requirements for the timely submission and revision of the partner financial reports. PROMS went live in the 4th quarter of 2023 shortly after the Cloud ERP project. The first partner reporting will take place during the coming months as new agreements are starting to be established using the new platform.	Work is still ongoing. The Board considers the recommendation as under implementation.		x	
38	2021	A/77/5/Add.6, chap. II, para. 380	The Board recommends that UNHCR update and aggregate its existing policies and guidelines regarding the monitoring, documentation and accounting of construction projects to achieve an institutionalized use of templates and status reports.	While some guidance related to construction projects is currently available in scattered documents, UNHCR is planning to capture all in a consolidated and more detailed manner in the form of a separate guiding document on construction projects. It will form part of the global repository of documents accompanying the	The Board acknowledges the progress made by the Administration. However, to close the recommendation, UNCHR should consider integrating the templates in the current documentation. The Board considers the		x	

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				programme handbook that is under development. It is expected that this companion will contribute to an improved consistency and harmonization of practices for planning, M&E and reporting on construction projects across the field operations. PROMS will also provide the digitalization of key construction management milestones/tasks, ensuring a clear audit trail of construction project documentation. There will be harmonized templates used in PROMS and offline versions available for operations. The use of PROMS for construction management will not be mandatory for operations and will be slowly introduced in a phased approach.	recommendation as under implementation.				
39	2021	A/77/5/Add.6, chap. II, para. 395	The Board reiterates its recommendation that UNHCR establish an overarching strategy for workforce planning purposes (A/76/5/Add.6, chap. II, para. 288) and emphasizes that the strategy framework should outline how trends could be assessed.	UNHCR's Workforce planning's approach is embedded into the overall planning approach and is being rolled out in 2023. In support of the 2023 Plan phase, a workforce planning hand-book will be released to support Operations and Bureaux in implementing the workforce planning approach. The Division of Human Resources has initiated the drafting of an overarching strategy and framework for workforce planning in UNHCR.	Work is still ongoing. The Board considers the recommendation as under implementation.			x	
40	2021	A/77/5/Add.6, chap. II, para. 401	The Board reiterates its recommendation that UNHCR develop and release staffing review toolkits (A/76/5/Add.6, chap. II, para. 296) and stresses that these toolkits should include indicators for benchmarks following the eight functional areas to quantify staffing needs.	UNHCR has developed a handbook providing guidance on the staffing reviews and workforce planning and the handbook related to staffing reviews was released in third quarter of 2023. This handbook provides a comprehensive and holistic set of tools to be used for conducting staffing reviews and identifying functional indicators that would address this recommendation.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			

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41	2021	A/77/5/Add.6, chap. II, para. 405	The Board recommends that UNHCR examine whether to establish sample performance indicators that could be used for monitoring purposes and adapted to the staffing needs of each operation.	UNHCR has developed a list of key performance indicators and metrics that can be used to monitor the Human Resources action plans. The list is included in the UNHCR Handbook for workforce planning which was released in the third quarter of 2023. (See the response to the recommendation 401 above). Human Resources staffing indicators covering UNHCR core functional groups for monitoring and measuring have also been developed.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
42	2021	A/77/5/Add.6, chap. II, para. 410	The Board recommends that UNHCR reconsider the methodology for determining the right size of the human resources teams in operations.	As mentioned in the response to the recommendation 401 and 405 above, the Division Human Resources has developed 21 functional one-pagers with staffing indicators, covering UNHCR core functional groups (Protection, Programme, Project Control, Supply, Human Resources, IT, Security, Administration & Finance, etc) has developed to ensure a consistent approach in determining the right size/level of staffing. The indicators have been included in the Handbook for Designing Field Presences (Pages 33-48). or other functions such as IT and Supply in UNHCR.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
43	2021	A/77/5/Add.6, chap. II, para. 417	The Board recommends that UNHCR review how the plan access control system roles are attributed to functional roles in UNHCR to encourage more participation and inputs and ultimately optimize the quality of the information entered in COMPASS.	UNHCR has reviewed the Plan Access Control roles and ensured that Human Resources Partners have been granted the Bureau Plan Quality Assurer roles in COMPASS. The role of Human Resources in planning has been formalised in the Policy on Planning for, Getting and Showing Results, paragraph 9.12 (page 22).	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
44	2021	A/77/5/Add.6, chap. II, para. 418	The Board recommends that UNHCR strengthen the role of human resources partners and	UNHCR is building the capacity of Human Resources colleagues and partners, both at the level of field	The Board has reviewed all the documentation provided by the Administration and	x			

No.	Audit report year	Report reference	Board's recommendation	Management/Administration's response	Board's assessment	Status after verification			
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			make their participation in the budget and annual programme review process more prominent.	operations and bureaux, in workforce planning with the aim to achieve a more effective participation of these roles into the planning process. The participation of Human Resources partners in budget and annual programme review has been formalized by including language on the role of Human Resources in various sections of the revised Programme handbook, Workforce planning handbook, and in the new Policy on Plan, Get, Show, to reflect the important role of Human Resources in the planning process.	concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.				
45	2020	A/76/5/Add.6, chap. II, para. 89	The Board recommends that UNHCR continue to review the impact of the changes to its budgetary structure on management efficiencies, analyse the benefits of the changes proposed, communicate the result of the analysis and provide assurance that the proposed budgetary structure meets the requirements of transparency and quality.	UNHCR will continue to examine its amended budget structure over the coming budget cycles, with a view to report to Executive Committee as required by the relevant decision in the "Report of the seventy-first session of the Executive Committee of the High Commissioner's Programme" (A/AC.96/1209). Under chapter III, section B, "Decision on a revision of the financial rules for voluntary funds administered by the High Commissioner for Refugees", paragraph 13 states inter alia that "the Executive Committeeendorses a review on the impact of these changes to budgetary structure and periods on management efficiencies and UNHCR's ability 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". In October 2021 the Executive Committee approved Annual programme budget 2022 of the Office of the United Nations High Commissioner for Refugees presented in document	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.		x		

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				A/AC.96/1213/Rev.1, the first one to reflect UNHCR's new global results framework. The UNHCR's annual Programme Budget for 2023 will be submitted to the review of UN and UNHCR Committees and this will provide a new opportunity to assess whether member states have any concerns on the new budgetary structure, its transparency and quality.				
46	2020	A/76/5/Add.6, chap. II, para. 171	The Board recommends that UNHCR analyse and streamline the fuel management in country operations, where relevant and feasible, and establish guidance, including on storage, reconciliation and documentation, and unitary templates for standard operating procedures for fuel management on the basis of guiding principles.	"Fuel management guidance on fuel quality and on quantity have been finalized and were published on the UNHCR in December 2023. The guidelines consist of two separate set of instructions related to fuel quantity and fuel quality management. It focuses on bulk fuel storage, control forms documentation for the management of fuel by UNHCR and Implementing partners. The guidelines were developed in the collaboration with the seven field operations with significant fuel inventories and capture the existing best practices and controls."	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		
47	2020	A/76/5/Add.6, chap. II, para. 172	The Board recommends that UNHCR implement measures to facilitate the monitoring of fuel management in the country operations. The regional bureaux could play a role in identifying and reconciling discrepancies in quantities and in expense recognition with regard to fuel.	In addition to the instructions (as mentioned in response to the recommendation 171 A/76/Add.6 chap.I), UNHCR has issued instructions for the quality and quantity control on fuel stock management. This new guidance clarifies the roles and responsibilities regarding the monitoring of fuel management.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		

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48	2020	A/76/5/Add.6, chap. II, para. 231	The Board recommends that UNHCR consolidate and complement the guidance material on the implementing partnership management processes in one comprehensive repository that should also include the regulations in response to previous audit recommendations.	UNHCR has been working to consolidate and revise its guidance material for all processes around the management of funded partnerships. The new programme handbook and partnership management procedure were launched in September/October of 2023.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
49	2020	A/76/5/Add.6, chap. II, para. 268	The Board recommends that UNHCR define more clearly the cases in which the use of new job titles for affiliates is applicable with regard to the new administrative instruction.	UNHCR's new Digital Human Resources System (Workday) has been implemented and went live in October 2022 in which it is a mandatory requirement to process all hiring of all categories of affiliates via a Job Requisition process. As part of this process, the system offers the Standard UNHCR Job Titles to the administrator for cases when the affiliate does a job identical to those carried out by staff. And for cases when the affiliate's job is something non-standard (e.g. for consultants) the system allows entering a different Job Title accordingly. However, even in such cases the administrator needs to link the special Job Title to the relevant Job Family which drastically enhances UNHCR's capability to monitor and report on its workforce composition in terms of functional areas. The requirements of setting the Job Titles in the job Requisition process is very clearly defined in the relevant Job Aid of Workday (Section J): https://wd3.myworkday.com/unhcr/d/ins/t/046437bef6c810187c289521ab830000/re1-task/2998\$40834.html	The Board considers the recommendation as implemented.	x			

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50	2020	A/76/5/Add.6, chap. II, para. 279	The Board recommends that UNHCR further improve the use of enhanced data analytics for additional dashboard reports and data analytics that would facilitate human resources planning analysis. Therefore, UNHCR should define key indicators. This would allow for the benchmarking of the workforce among operations and would enhance knowledge regarding whether the various	The relevant text in the Job Aid explains: "j. Job Profile: in case the affiliate colleague has a title which is identical with those used for staff doing the same job or functions, you are requested to select that title from the list. For affiliates with a title different from those in the 'Job Profile' list AND in case of an affiliate Job Requisition for a position under an UNV assignment: please enter 'AWF' in the search bar, then hit enter to see the list of the Generic Affiliate categories, then select the one corresponding to the functional area (Occupation) in which the title fits within. Remember: In case of UNV assignments, even if the title is identical with a standard UNHCR job title, we should still use a Generic Job Profile, so the Job Description field stays empty, as for UNV assignments we use the Description of Assignment (DoA) document, which can be attached to the respective JR in the 'Attachments' section."	Since the roll-out of the new human resources system in October 2022, 4 new dashboards have been created to facilitate data analytics and data-driven decision-making processes: Personnel, Career Profile, Staffing and Position dashboards. Training of Human Resources practitioners, in partnership with regional bureaux and divisions, is underway. Staffing indicators have been developed and included in the Handbook for Designing Field Presences.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x		

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			functional groups of an operation are adequately staffed compared with those of other operations.						
51	2020	A/76/5/Add.6, chap. II, para. 312	The Board recommends that UNHCR, together with the FleetWave provider, optimize the FleetWave tool to avoid faulty data recording and to enhance usability.	<p>The FleetWave (FW) software has been improved with a data validation feature that automatically flags and blocks any inputs that exceed the pre-set parameters, allowing for timely rectification. Moreover, the system can now spot duplicates, preventing duplicate entries of fuel data for already registered transactions.</p> <p>To increase visibility into fuel performance across countries, several new enhancements have been introduced including:</p> <p>1) New, operationally focused monthly summary reports have been developed in FW, designed for user-friendliness and clarity. See examples.</p> <p>2) Operational dashboards on various aspects including fuel, service & repair, a vehicle dashboard, data quantity tracking. See extract of dashboards.</p> <p>while the integration between FW and the Cloud ERP system was initially envisaged, this was explored during the implementation of the new system and was deemed no longer a priority or not feasible. Therefore, the integration was not pursued further.</p>	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
52	2019	A/75/5/Add.6, chap. II, para. 36	The Board recommends that UNHCR opt for a simplified asset recognition process and a reduced need for manual month-end adjustments in the selection of a new enterprise resource planning solution.	In the new Cloud ERP system, asset recognition will be significantly streamlined. As per the revised policy (Para 349-351), all asset purchases are initially recorded as inventory. Asset capitalization happens in Cloud ERP also through "distributions" from	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board	x			

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				inventory locations and from projects (Springbok solution) which is currently being tested and stabilized. Consequently, there is minimal manual month-end adjustments as the case was previously.	considers the recommendation as implemented.				
53	2019	A/75/5/Add.6, chap. II, para. 40	The Board recommends that UNHCR explore options for the automated allocation of the second-leg transportation costs in the selection of a new enterprise resource planning system.	As referenced in response to recommendation 2022 - 63, for light vehicles the actual transport cost invoices for these vehicles will be matched to the goods in-voice instead of applying the Trade Operation stand-ard rates. This applies to both first leg and second leg transport for vehicles. This approach will be rolled out in Q1 2024 following testing in the 4th quarter 2023.	Work is still ongoing. The Board considers the recommendation as under implementation.		x		
54	2019	A/75/5/Add.6, chap. II, para. 88	The Board recommends that UNHCR explore the option of an electronic, system-integrated delegation of authority process. The process should encompass all enterprise resource planning modules and ensure an overarching conflict check across the entire enterprise resource planning architecture.	UNHCR has built on the available modules in the new Cloud ERP dedicated to access controls and transaction controls to incorporate in the design various automated processes for the delegation of authority. A new Delegation of Authority and Role Provision (DOARP) has now been rolled up as per the Implementation Note 4 that has been shared.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
55	2019	A/75/5/Add.6, chap. II, para. 89	The Board recommends that UNHCR link the procure-to-pay delegation of authority to functions rather than to individual persons, subject to the progress of the ongoing job description harmonization project.	This recommendation has been addressed through the same actions as in response to recommendation in paragraph 88/2019 above and consequently (See new DOARP implementation Note 4 that has been shared.	The Board has reviewed all the documentation provided by the Administration and concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.	x			
56	2019	A/75/5/Add.6, chap. II, para. 238	The Board recommends that UNHCR develop a plan for the ongoing implementation and	UNHCR has reviewed and updated its policies and practices regarding multi-year agreements in light of recent multi-	The Board has reviewed all the documentation provided by the Administration and	x			

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			extension of multi-year partnership agreements (including a financial target) for the years ahead. This should include links to budget cycles, monitoring and auditing.	year planning reforms and the roll-out of COMPASS. Following dialogue with internal and external stakeholders, and considering the limitations related to donor funding and the UNHCR financial cycle, the recently issued procedure on partnership management introduces Partnership Framework Agreements (PFAs) from 2024, in an effort to give partners more predictability across the period of the multi-year strategy. The PFAs available on Cloud ERP and on the UNPP and country operations are currently negotiating them with their partners for 2024 and beyond. UNHCR used this opportunity to clarify and distinguish between the terms and conditions of agreements to collaborate/partner over multiple years on one hand and those for the immediate financial year on the other hand. Partnership funding via a project workplan will therefore be dependent on a longer-term PFA that sets out the overall outcomes to be achieved with the partnership as well as the general terms and conditions applicable, thus allowing for shorter and more focused annual workplans to be negotiated with project description, simplified financial plan and indicator targets. Multi-year agreements in their prior form will no longer be used, however the new PFAs will be used globally.	concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.				
57	2019	A/75/5/Add.6, chap. II, para. 240	The Board recommends that UNHCR provide templates for multi-year partnership	UNCHR has issued the new partnership procedure and Programme Handbook in September-October of 2023. The new procedure was released in August 2023 hence this recommendation is considered implemented.	The Board has reviewed all the documentation provided by the Administration and	x			

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			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.		concluded that the recommendation has been addressed. The Board considers the recommendation as implemented.					
58	2019	A/75/5/Add.6, chap. II, para. 343	The Board recommends that the representatives of country operations each confirm to the regional bureaux and headquarters with their signatures the decommissioning of proGres v3.	The Global Data Service confirms that, the proGres version 3 generation is obsolete, no longer utilized, and has been successfully decommissioned with few exceptions. The majority of UNHCR's field operations have transitioned to a centralized version of proGres, with UNHCR headquarters collecting proGres v3 database backups post-migration to the newer proGres v4, storing them in a central repository. As of the end of 2023, this repository contained 378 database instances of proGres v3, reflecting approximately 95% of all identified v3 instances. This emphasizes the successful implementation of the decommissioning process. In February 2024, the Global Data Service communicated the Standard Operating Procedures (SOPs) for the final stage of the decommissioning process to the regional bureaux.	The Board acknowledges the efforts made by the administration, particularly in designing a robust process a. The process of decommissioning proGres version 3 is well advanced but not complete, therefore the Board considers the recommendation as under implementation.			x		
Total						58	34	21	-	3
Percentage						100	59%	36%	-	5%

Chapter III

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

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.12](#)) 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 2023 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 2023

A. Introduction

1. The United Nations High Commissioner for Refugees has the honour to submit the financial report and financial statements for the year ended 31 December 2023, in accordance with United Nations financial regulation 6.2 of the Financial Regulations and Rules of the United Nations (ST/SGB/2013/4) and rule 602.1 of the financial rules for voluntary funds administered by the High Commissioner (A/AC.96/503/Rev.12).

2. The financial report provides financial information relating to the voluntary funds administered by the High Commissioner, in accordance with the International Public Sector Accounting Standards. The voluntary funds include the Annual Programme Fund, the Junior Professional Officers Fund, the Staff Benefits Fund, the Medical Insurance Plan, the Working Capital Fund for Voluntary Contributions and the Self-Financing Activities Fund. It presents an overview of the operational context, financial analysis and budgetary performance by major activity groupings, highlighting trends and significant changes.

3. The financial report is designed to be read in conjunction with the financial statements, consisting of five statements and supporting notes.

B. Operational context and activities overview

4. The Office of the United Nations High Commissioner for Refugees (UNHCR) is mandated by the General Assembly to lead and coordinate international action for the protection of refugees and solutions to their plight. UNHCR also has responsibilities for stateless persons pursuant to various General Assembly resolutions and conventions. The Office also provides protection and assistance to internally displaced persons, working in cooperation with the Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator and in the context of the collaborative response of the United Nations system. In all its activities, it pays particular attention to the needs of the most vulnerable and seeks to promote the equal rights of women and girls. UNHCR seeks to reduce situations of forced displacement by encouraging States and other institutions to create conditions that are conducive to the protection of human rights and the peaceful resolution of disputes. UNHCR works in partnership with governments, international and non-governmental organizations, other United Nations agencies and displaced people, as well as the private sector, international financial institutions and civil society, including think tanks, academia and faith leaders.

5. UNHCR estimates that by end-2023 the overall figure for forcibly displaced people was 114 million. In 2023, humanitarian crises grew in scale and complexity with UNHCR responding to 43 new emergencies in 29 countries. UNHCR responded with life-saving assistance and protection to the people affected by earthquakes in Afghanistan, the Syrian Arab Republic and Türkiye, conflict in Sudan, a deteriorating crisis in the Democratic Republic of the Congo, unprecedented mixed movements of refugees and migrants in Latin America and the Caribbean, as well as floods in Libya and the Horn of Africa.

6. To meet growing challenges, the Office bolstered efforts to collaborate and engage with a wide array of actors. UNHCR deepened its engagement with development partners, the private sector and financial institutions to strengthen livelihoods and inclusion and to create conditions for return in countries of origin. UNHCR also continued to contribute to the objectives of the 2030 Agenda for Sustainable Development. The Office's partnerships were aligned with its

strategic directions⁶⁷ and designed to address protection priorities and foster inclusion and solutions. UNHCR led the development of eight regional refugee response plans covering the inter-agency response in 53 countries hosting refugees. UNHCR leveraged complementary expertise with agencies such as the World Food Programme, the United Nations Population Fund, the United Nations Human Settlements Programme (UN-Habitat), the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and the United Nations Children’s Fund.

7. The Global Compact on Refugees (A/73/12 (Part II)) continued to provide the blueprint for burden- and responsibility-sharing when dealing with displacement issues. The second Global Refugee Forum⁶⁸ mobilising whole-of-society support and engagement towards the objectives of the Global Compact on Refugees, was held in December in Geneva. It brought together more than 4,000 participants from 168 States and over 425 other stakeholders and partners from around the world, including more than 320 forcibly displaced and stateless persons. An additional 10,000 participants joined the proceedings virtually from 120 countries – a further demonstration of the Forum’s relevance, breadth, and diversity. The Forum saw substantive engagement with some 1,750 pledges of financial, technical, material, and policy support submitted.

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

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

C. Financial analysis

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

Table IV.1

Financial position and financial performance, 2019–2023

(Millions of United States dollars)

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

⁶⁷ Office of the United Nations High Commissioner for Refugees (UNHCR), “UNHCR strategic directions 2022–2026”, 2022.

⁶⁸ See <https://www.unhcr.org/media/outcomes-global-refugee-forum-2023>

^a Including foreign exchange gains/losses.

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

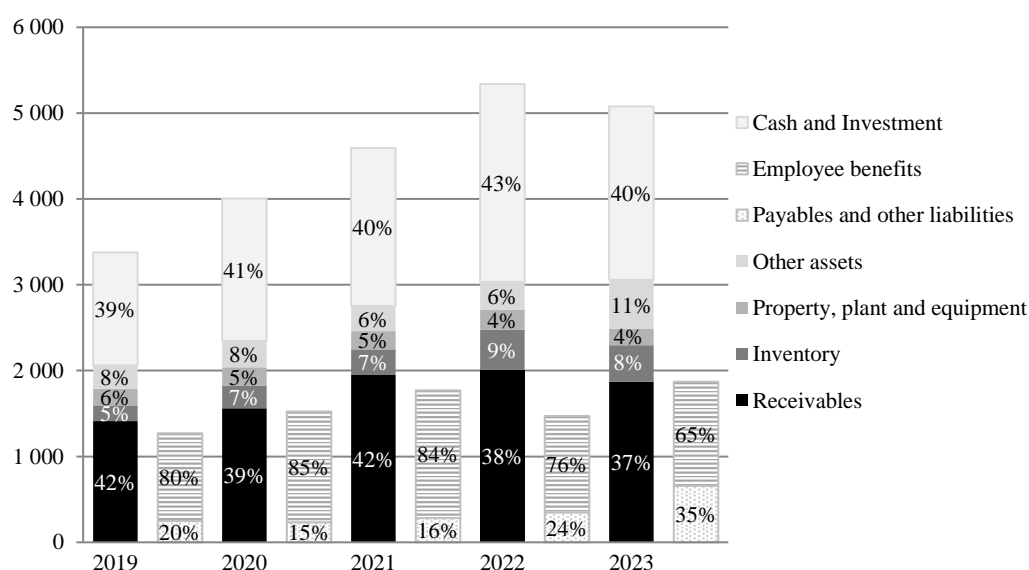
12. The fund balances and reserves comprise the accumulated fund balances and reserves (\$3,116.6 million), the Working Capital Fund for Voluntary Contributions (\$100.0 million), the Medical Insurance Plan (\$73.6 million), the Staff Benefits Fund (net deficit of \$312.3 million) and the Self-Financing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

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

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

Figure IV.I
Assets and liabilities, 2019–2023

(Millions of United States dollars)



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

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

Table IV.2
Key financial ratios as at 31 December

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

17. The current ratio (current assets to current liabilities) is a liquidity ratio that reflects the ability of an entity to meet its current obligations within the following 12 months by using its assets that will materialize within the same time frame. At the end of 2023, the current ratio of UNHCR was 5.11, which has deteriorated compared to 2022 but is still relatively high and indicates that UNHCR is in a good position to cover its current liabilities. The higher level of this ratio is also determined by certain factors specific to the organization, as further described. First, current assets include the amount of \$996.0 million of accounts receivable, which relates to a future year (see table 3.2.2 in note 3.2). This derives mainly from the multi-year pledges and the annual pledging conference, which 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 (\$706.6 million, as reflected in table 3.14.2 in note 3.14).

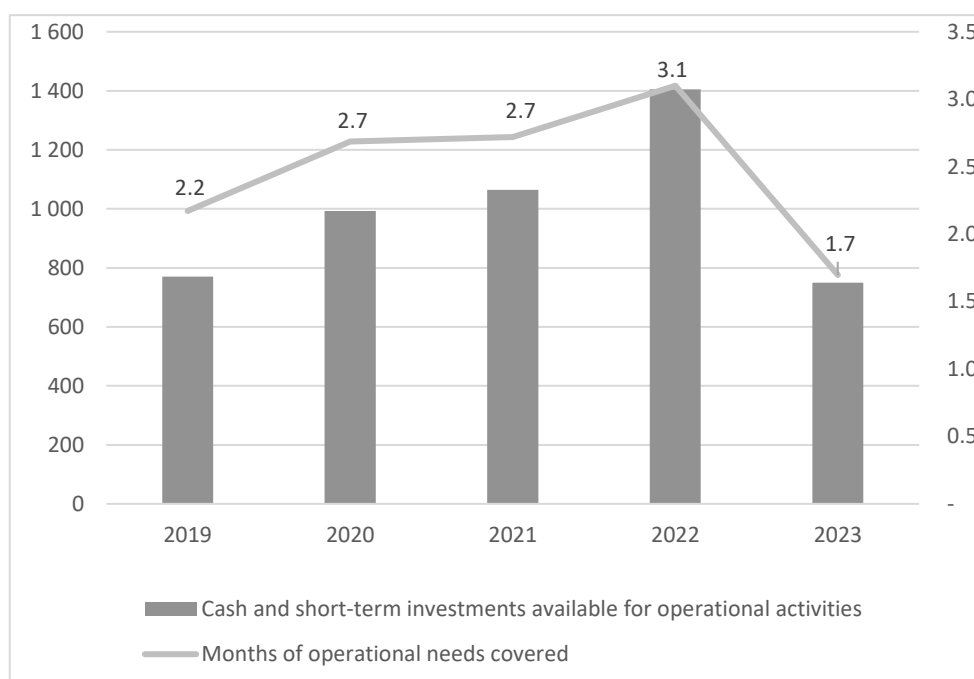
18. As at 31 December 2023, the total amount of cash and short-term investments was \$2,018.3 million, a decrease of \$289.1 million compared with \$2,307.4 million in 2022. Excluding the amounts pertaining to the Working Capital Fund for Voluntary Contributions, the Staff Benefits Fund the Medical Insurance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

19. Figure IV.II depicts the total amount of cash and short-term investments available for operational activities as well as the number of months of operational needs covered based on the average monthly expenses for the period from 2019 to 2023. The figure illustrates that, the operational liquidity situation at year-end has deteriorated when compared with the prior years, meaning the timely receipt of contributions is increasingly important for the ability of UNHCR to operate smoothly.

Figure IV.II

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

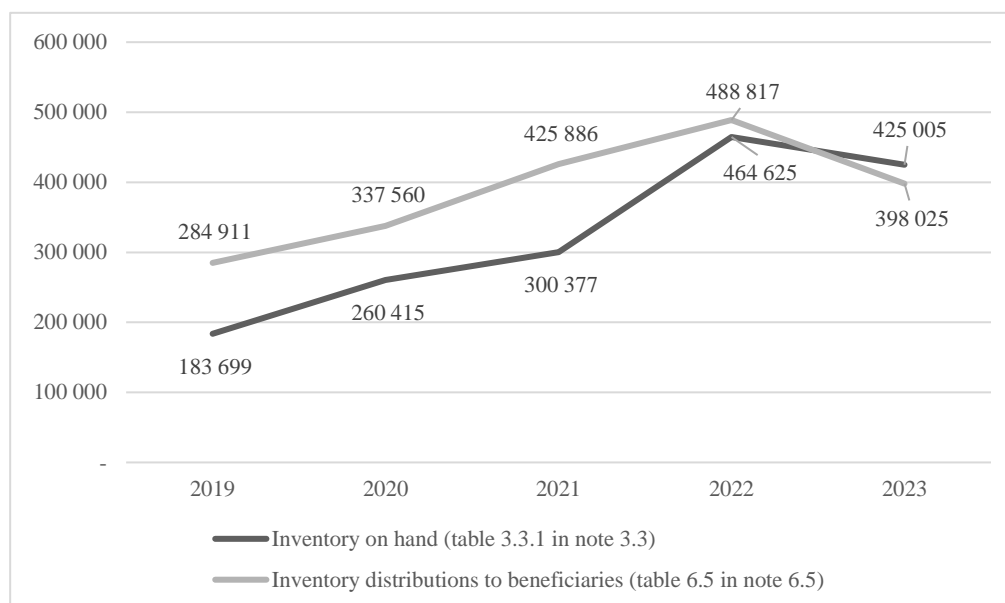
(Millions of United States dollars/number of months)



20. Figure IV.III depicts the annual inventory distribution to beneficiaries (see table 6.5 in note 6.5) together with the inventory on hand (see table 3.3.1 in note 3.3) at year-end over the past five years. Of the amount of \$398.0 million of inventory distributed to beneficiaries in 2023, \$123.8 million (31 per cent) represents medical and hygienic supplies and apparel.

Figure IV.III
Inventory distribution to beneficiaries and on hand at year-end, 2019–2023

(Thousands of United States dollars)



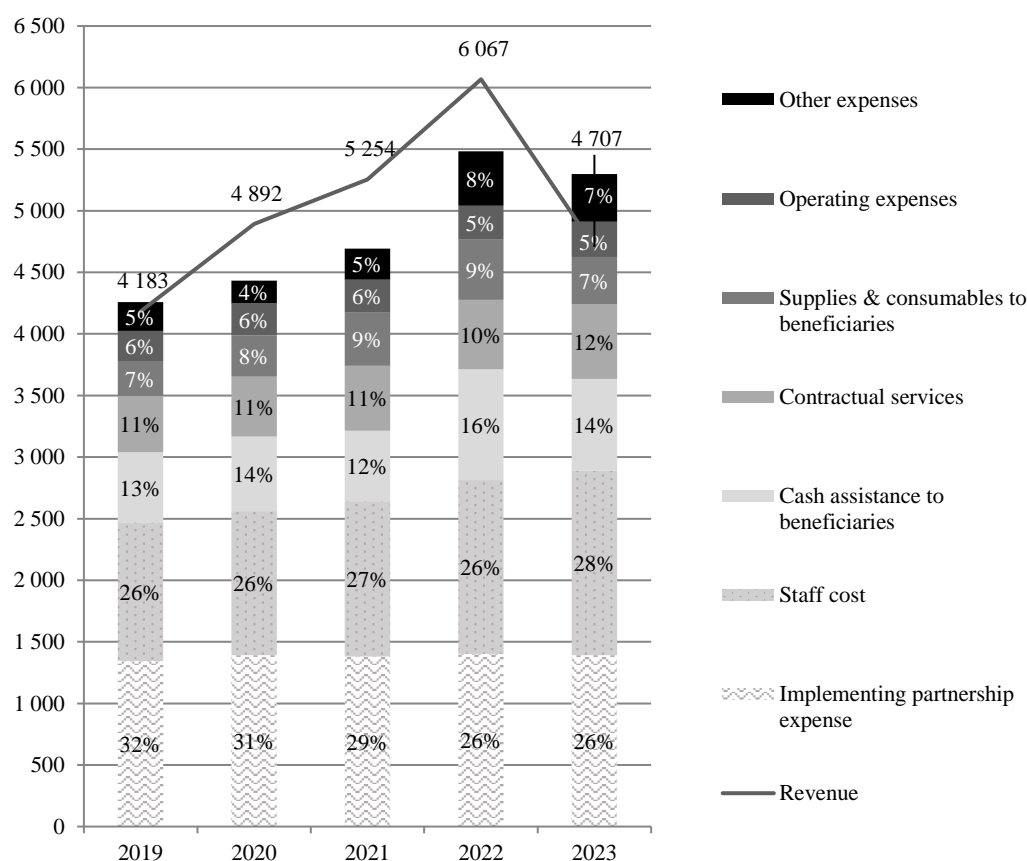
21. In terms of financial performance (see statement II), UNHCR ended the year with a deficit (revenue minus expenses including foreign exchange gains/losses) of \$590.1 million, compared with a surplus of \$584.0 million at the end of 2022.

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

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

Figure IV.IV
Revenue and expenses, 2019–2023

(Millions of United States dollars)



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

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

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

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

28. Cash assistance to beneficiaries represents support provided directly by UNHCR and excludes amounts distributed through partners, which are reported as part of implementing partnership expenses. The cash assistance managed directly by UNHCR, amounting to \$742.3 million, decreased by 17.4 per cent compared with 2022 (\$898.8.2 million). The main decreases were in Poland

(\$99.7 million), Afghanistan (\$50.7 million), Iraq (\$28.0 million) and Lebanon (\$26.6 million). The overall decrease was offset by increases in Moldova (\$24.7 million) and Pakistan (\$21.9 million).

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

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

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

D. Programme budget performance highlights

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

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

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

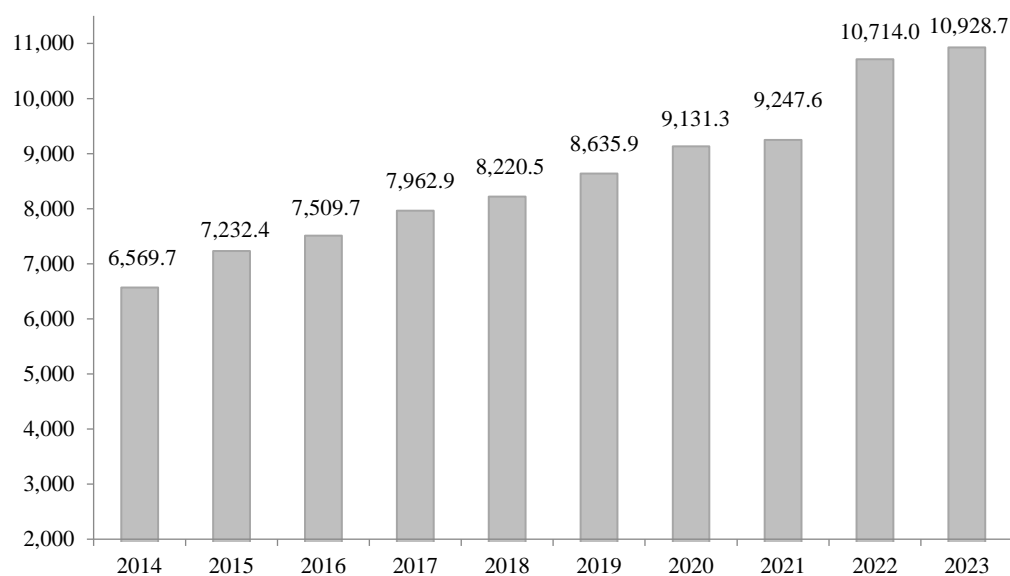
35. Subsequent to the approval of the programme budget by the Executive Committee, a global appeal is launched for fundraising purposes. The High Commissioner authorizes the allocation of funds for the implementation of programmes on the basis of the availability of funds. During the implementation period, the High Commissioner may revise the approved budget with supplementary budgets, in accordance with financial rule 208.1 of the Office's financial rules ([A/AC.96/503/Rev.12](#)), to meet new needs under any impact area arising in the course of the same period.

36. The original budget for 2023 approved by the Executive Committee at its seventy-third session (October 2022) amounted to \$10,211.3 million. Five supplementary budgets were established during the course of 2023: \$250.0 million in support for the situation in Ukraine; \$201.3 million for the earthquake emergency response situation in Türkiye and northern Syrian Arab Republic; \$268.7 million for the Sudan situation; \$55.8 million for the Pakistan situation and \$41.7 million for the Somalia situation. The total financial requirements for

these supplementary budgets amounted to \$817.5 million. Further, the budget for the Iraq operation was reduced by \$100.0 million in order to align the operational footprint of UNHCR with the United Nations transition strategy in the country. This led to a final budget of \$10,928.7 million. Figure IV.V shows the requirements over the period from 2014 to 2023.

Figure IV.V
Requirements, 2014–2023

(Millions of United States dollars)



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

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

Table IV.3

Total requirements, funds available and expenditure, 2023^a

(Millions of United States dollars unless otherwise indicated)

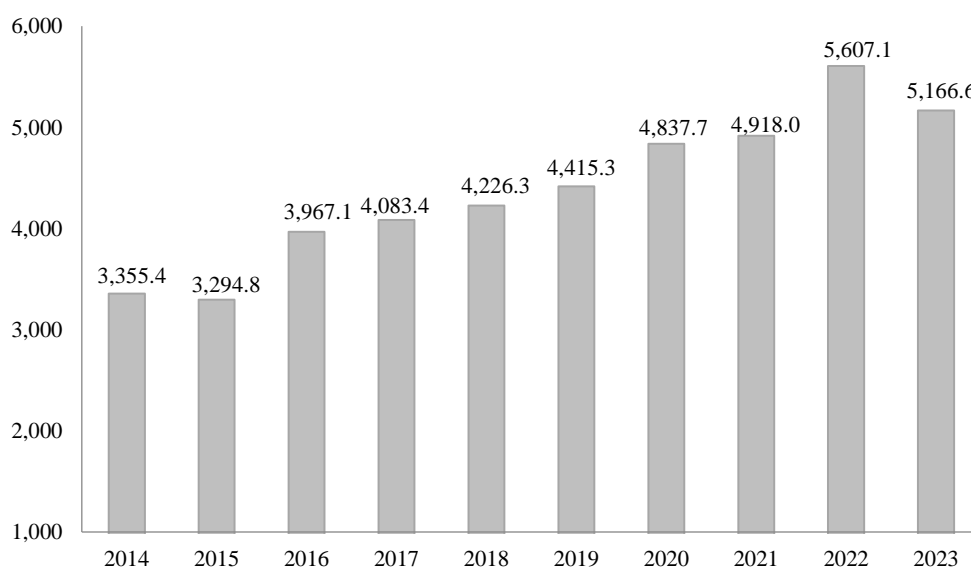
	<i>Final Budget</i>	<i>Funds available^b</i>	<i>Expenditur e</i>	<i>Carry over</i>	<i>Percentage</i>	
					<i>Expenditu re on Final Budget</i>	<i>Expenditur e on Funds available</i>
Impact Area 1	2 701.6	1 643.7	1 529.7	114.0	56.6	93.1
Impact Area 2	5 236.4	2 864.7	2 529.2	335.5	48.3	88.3
Impact Area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

^a Totals in the table may not add up owing to rounding.^b The distribution of funds available by impact area is indicative, as not all resources available are earmarked for specific impact areas.

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

Figure IV.VI
Expenditure, 2014–2023

(Millions of United States dollars)



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

Table IV.4

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

(Millions of United States dollars)

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

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

41. The evolution of the expenditure for the programmed activities under the three budget components, namely, programme, programme support and management and administration costs (excluding the Junior Professional Officers Programme), is presented in figures IV.VII and IV.VIII for the period from 2014 to 2023 in values and percentages, respectively. The decrease in the programme cost category is mainly due to the reduction in expenditures at country and regional programmes, a reflection of the global decrease in funds available and expenditures in 2023. The minor increase under programme support, partly offset by the decrease under management and administration is related to expenditures in headquarters which also slightly increased.

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

(Millions of United States dollars)

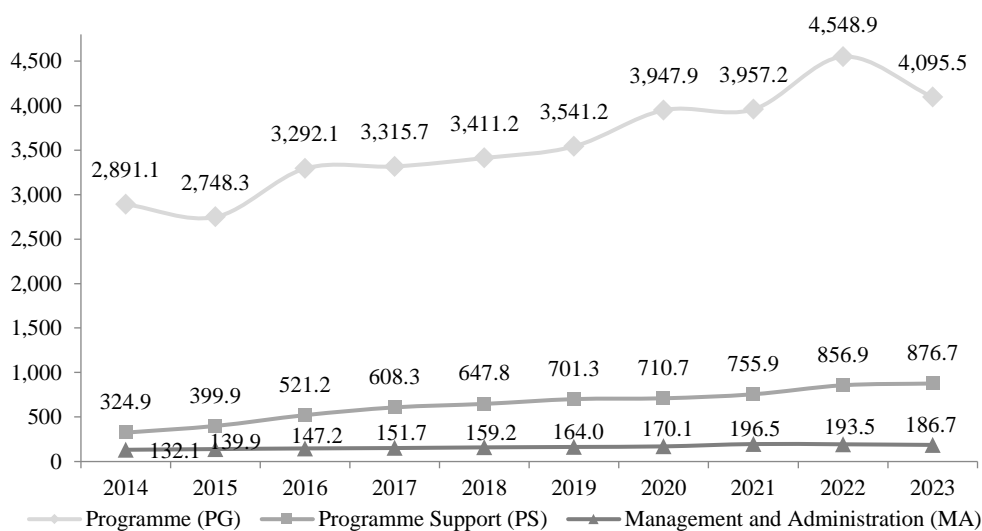
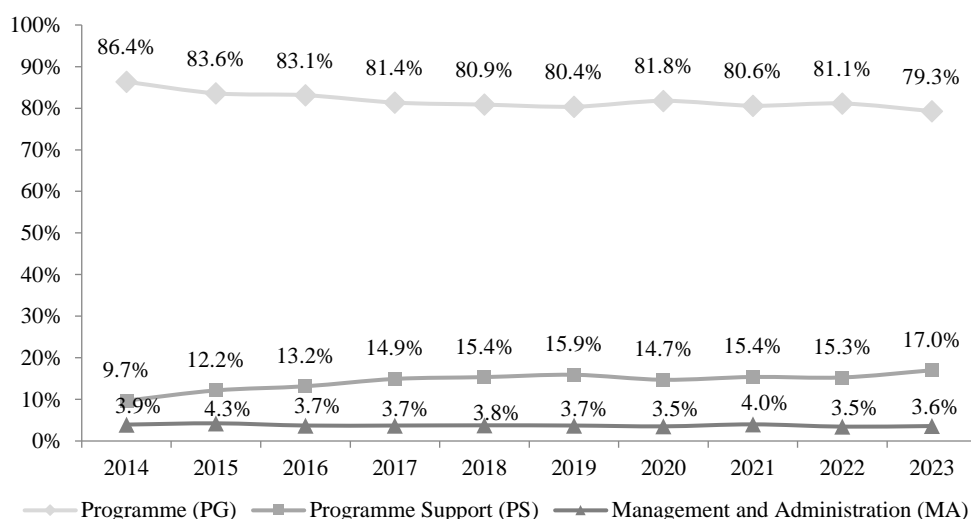


Figure IV.VIII
Evolution of expenditure, 2014–2023, by cost category

(Percentage)



E. Going concern

42. The consequences of any potential reductions, delays in receipt or defaults in payments of contributions, in particular within the current context of the global economic and financial situation, have been evaluated by the management of UNHCR. As at the date of preparation of the present report, 31 March 2024, the management considers that the organization has adequate resources to continue its operations as planned in the medium term. This assertion is based on the approval by the Executive Committee of the budget requirements for 2024 and the historical trend of the collection of pledges in recent years. Therefore, UNHCR has adopted the going-concern basis in the preparation of its financial statements.

F. Internal control system

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

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

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

Office of Internal Oversight Services

46. The Office of Internal Oversight Services (OIOS) performs internal audit services at UNHCR in accordance with UNHCR financial rule 515.1 and United Nations financial regulation 5.15. A memorandum of understanding between UNHCR and OIOS defines the arrangements for internal audit services to be provided by OIOS. The UNHCR Audit Service of the Internal Audit Division of OIOS is based in Geneva, with offices in Nairobi and Budapest. The internal auditors undertake regular audits of UNHCR country and regional operations and organizational units, functions and systems at headquarters. OIOS also undertakes thematic audits and advisory engagements. The audit results and recommendations are communicated to the High Commissioner, and audit reports are published on the OIOS website. In 2023, OIOS issued 19 reports: 10 audits of country operations, 2 audits of regional bureaux and 7 audits of headquarters activities. The headquarters audits included the fleet and fuel management, the refugee status determination processes, the supply chain management for information and communication technology equipment, the cybersecurity preparedness, the affiliate work force arrangements and use of consultants, the arrangements for prevention, risk mitigation and response to gender-based violence and the livelihood programmes.

Independent audit of projects implemented by partners

47. UNHCR carries out a high percentage of its activities through implementing partners. In 2023, UNHCR continued to collaborate with more than 1,200 partners in conducting its operations. The audit of projects implemented by partners is an important management tool for field offices and headquarters, as it assists the organization in obtaining:

- (a) Reasonable assurance that the final report submitted by the partner is free from material misstatement and in accordance with the terms of the project partnership agreement;
- (b) A review of the partner's compliance with the partnership agreement;
- (c) An assessment of the partner's internal controls and financial management practices.

48. UNHCR applies a risk-based audit approach in relation to the projects implemented by partners. The methodology of selection of projects is based on a risk assessment of the project and the implementing partner organization. Audit services have been centrally procured, and global, independent and reputable audit service providers have been selected by UNHCR. The Office increased in 2021 the number of external audit firms with which it has frame agreements from four to eight. By increasing the number of audit firms with a broader geographic footprint, UNHCR increased access to auditors with an established presence in the countries where audits are carried out. The change offered more opportunities for increased competitive selection of audit services, an efficient process of project audit certification and improved opportunities for the high-quality and timely delivery of reports. The quality of audit work delivered as part of this arrangement is monitored and assessed during the year against key performance indicators and mutually agreed terms of reference.

Independent Audit and Oversight Committee

49. The Independent Audit and Oversight Committee assists the High Commissioner and the Executive Committee in exercising their oversight responsibilities, in accordance with relevant best practice, industry standards and the financial and staff regulations and rules applicable to UNHCR. In 2023, the Committee held three sessions, during which it discussed (implementation of) workplans and reports from internal and external audit, investigation, evaluation and strategic oversight functions. The Committee acknowledged assurance provided by the respective oversight entities and commented on oversight analysis and coordination. It also discussed transformation and change, strategic planning,

enterprise risk management, financial and human resources management, and information technology. The Committee communicated its concluding observations following each session and presented its annual report to the Standing Committee in September 2023.

Inspector General's Office

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

Other tools and mechanisms

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

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

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

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

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

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

Statement of internal control, 2023

Scope of responsibility

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

Purpose of internal controls

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

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

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

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

The UNHCR operating environment

In delivering on its primary purpose to safeguard the rights and well-being of forcibly displaced and stateless people, UNHCR is exposed to situations with a high level of inherent risk, including in terms of the security of its personnel and displaced and stateless people. In 2023, humanitarian crises grew in scale and

complexity with UNHCR responding to 43 newly declared emergencies in 29 countries. UNHCR focused on providing basic services for vulnerable populations, such as health care, water, sanitation, shelter, distribution of core relief items, cash assistance and livelihood opportunities. UNHCR continued to monitor and advocate for the inclusion of forcibly displaced people in national protection systems. UNHCR addressed such challenges by swiftly identifying needs, reprioritizing and reallocating resources and introducing measures to increase flexibility regarding the difficult operating environments while at the same time ensuring the safety and security of its personnel. UNHCR's ability to respond quickly, effectively, and efficiently to crises and operate in ever-changing and complex environments was also recognised in various internal audit reports of the year.

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

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

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

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

Following the completion of the BTP, UNHCR is bringing together an overview of the systems the organization uses to strengthen accountability within an overarching Accountability Framework for adoption in late 2024. The Accountability Framework will complement the Roles, Accountabilities and Authorities frameworks for headquarters, regional bureaux and country offices. The aim is to strengthen understanding of accountability mechanisms among personnel and highlight what is necessary to maintain a robust accountability culture and practices over time.

These tools further reflect the application of the revised three-lines model in UNHCR. The model is a lens through which to consider how risks are managed at different levels of the organization. It also provides high-level guidance on how

to identify and structure the interactions and responsibilities of the key counterparts in the organization in order to improve alignment, collaboration and accountability while maintaining adequate controls and oversight. Within the new architecture, aligned with an updated enterprise risk management policy issued in 2020, risk management and control activities are being exercised at all levels of the organization.

Risk management framework

UNHCR follows an enterprise risk management policy that outlines a structured approach to risk management across the organization, ensuring the comprehensive and consistent identification, assessment and mitigation of risks at all levels. The policy incorporates both a top-down (Strategic Risk Register) and a bottom-up (Operational Risk Register) approach to identify and manage our key risks and identify opportunities. UNHCR sees risk management to be a key enabler for risk-informed decision-making, embedded in the organization's day-to-day processes and activities, and a responsibility of all UNHCR personnel. Internal controls are essential to managing risks and the effectiveness of existing controls is considered when assessing levels of risk.

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

Key findings of risk reviews in 2023

The Strategic Risk Register was reviewed and refreshed again in late 2023 and shared internally in early 2024. The risk register captures 13 strategic risks with key risk and control indicators and target appetite levels defined for each risk. This has allowed UNHCR to better assess whether its mitigation actions are bringing the risks to acceptable levels, and it has laid the groundwork for more detailed discussions on UNHCR's risk appetite. In this update, no new strategic risks have been identified, however, the causes and consequences of all risks have been revised to take account of recent developments and changes in the global operational context. More specifically, the risk linked to UNHCR's transformation has been substantially revised to

reflect the changing context now that the Business Transformation Programme has gone live. The strategic risk on climate change has also been reframed to reflect progress made and align it with UNHCR's Focus Area Strategic Plan on Climate Action for 2024-2030. Strategic risks related to exercising the mandate of UNHCR in a polarized global environment, emergency preparedness and response, funding, and cybersecurity were assessed as increasing in 2023.

Based on the bottom-up risk management process, which is sequenced to feed into the updating of the Strategic Risk Register, protection & solutions and emergencies remain the two biggest areas of risk facing UNHCR, representing over 40% of all risks and opportunities identified in 2023. Key risk themes included reduced protection space, challenges to finding solutions, and conflict-driven large-scale displacement. Encouragingly, the protection environment also

remains the area where the most opportunities were identified, often in relation to the Global Compact on Refugees and possibilities for the inclusion of refugees into national systems and programmes. Addressing these risks and opportunities has been a priority for UNHCR throughout 2023 at all three levels of the organization.

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

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

Review of the effectiveness of internal controls

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

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

(a) The annual certification statements, together with the internal control self-assessment questionnaires, as completed and submitted by all UNHCR representatives, directors of the regional bureaux and administrative support divisions. The questionnaire was used by each entity to review and rate its compliance with key controls in various areas, including organizational governance and management aspects and operational, administrative and support areas, as well as in emergency preparedness and organizational resilience. The responses included a rationale for the self-assessed ratings attributed to the tested internal controls. To enhance the role of the Bureaux in monitoring the adequacy of controls in their regions, starting with this 2023 financial year the results of the self-assessment exercise of country operations are being reviewed by the respective regional bureaux who conducted spot-checks and provided feed-back to country operations as applicable. With the certification statements, representatives and directors confirmed their responsibility and accountability for having put in place and maintained adequate internal controls in their respective areas on a day-to-day basis. Taking into consideration the evolving operational circumstances, some of the questions included in the questionnaire were reviewed to capture particularities of the 2023 annual reporting cycle;

(b) The reports issued by OIOS following the audits conducted under the 2023 audit workplan. These provided me with objective information on compliance and control effectiveness in managing risks in UNHCR operations and activities, together with recommendations for improvement. Audit reports are made public on the OIOS website;⁶⁹

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

⁶⁹ See <https://oios.un.org/audit-reports>.

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

(e) The reports and recommendations issued by the Board of Auditors, the Joint Inspection Unit and the UNHCR Independent Audit and Oversight Committee. The related observations and recommendations of these oversight bodies provide objective information on compliance and control effectiveness. They submit their key findings, observations and recommendations to the governing bodies. Reports of the Board of Auditors, Joint Inspection Unit and UNHCR Independent Audit and Oversight Committee are made public on the Board of Auditors website⁷⁰, JIU website⁷¹ and IAOC website⁷² respectively.

Internal control issues arising during 2023

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

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

(i) Improving the new systems to ensure business needs can be met more efficiently and effectively while improving internal business processes and increasing synergies and consistencies across the systems. Following the closure of the BTP, a temporary Business Support Team has been established, to oversee follow-up activities including a comprehensive lesson learned and impact gains exercise, in addition to assisting with the stabilization process when coordination and business as usual support will be fully integrated into the divisions.

(ii) Enhancing data management and its use, to enable more data-driven and evidence-based decision-making, and to improve data integrity and enhance reporting capabilities.

(iii) Strengthening internal control frameworks and second line oversight, facilitated by updated policies, instructions and dashboards. UNHCR will endeavour to identify relevant key performance indicators that can be extracted from Cloud ERP, or calculated based on data recorded in the system, to support a more objective assessment of the functioning of various controls.

(iv) Further enhancing the Delegation of Authority and Role Provisioning in Cloud ERP (DOARP framework). Efforts continue to

⁷⁰ See <https://www.un.org/en/auditors/board/auditors-reports.shtml>.

⁷¹ See <https://www.unjiu.org/content/reports>.

⁷² See <https://www.unhcr.org/about-unhcr/governance-and-oversight/independent-audit-and-oversight-committee-iaoc>.

fully digitize and automate the DOARP request process, to better enable the users to request Cloud ERP roles and access rights on a self-service basis, and to provision/deprovision in an automated manner.

(v) Elevating partnership management with PROMS. As familiarity of staff across the organisation increases in using PROMS for handling projects implemented through partners, it is expected that this will result in time savings from reduced manual workload; enhanced risk and knowledge management from increased availability of timely financial and performance data; and improved ability to serve by facilitating management of partnership agreements.

(vi) Strengthening control over personnel data and related costs maintained in Workday and COMPASS.

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

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

(d) Workforce Planning and staffing indicators will continue to be improved to support operations. UNHCR is closely monitoring the implementation of the strategic workforce planning approach adopted in 2021. The newly issued Handbook for Workforce Planning, complemented by relevant

chapters in the revised UNHCR Programme Handbook, facilitate strategic, results-based, multi-year planning and programming, including the analysis and forecasting of talent needs across the organization. It includes an HR action plan toolkit to facilitate talent interventions and the proper implementation of the structural and staffing reviews with a people-centric approach. Additionally, position planning is also increasingly integrated into overall planning and budgeting. The Handbook for Designing Field Presences was updated to include functional staffing indicators to help operations design their staffing structures to maximize the delivery of results. UNHCR will continue to provide training on workforce planning and an overarching strategy for workforce planning is expected to be finalized by the end of 2024. This strategy will guide the organization's efforts to mitigate the risk of "misalignment between the current skill set of personnel and future requirements to meet the challenges UNHCR is facing", which is one of the organization's strategic risks.

(e) There is a need to increase adherence to the policy of the continuous monitoring and analysis of security risks, emergency risks and preparedness, as well as business continuity planning. The number of countries facing greater security risks continued to increase during the reporting period and security measures need to be adapted/ enhanced to reduce the risk, including through risk avoidance measures when deemed appropriate. Emergency-related risks were rated second of the top ten risks identified by field operations. Effective and efficient emergency preparedness and response are a corporate priority of UNHCR. 2023 was a dramatic year in terms of displacement due to political violence, war, and climate change and/or natural disasters. UNHCR issued a new policy on emergency preparedness and response in February 2023, which introduced new ways of working and simplified procedures for emergencies, accompanied by the release of new guidance on emergency preparedness in April 2023. The guidance provides a practical framework for implementing and operationalizing the preparedness measures set out in the emergency policy. It enables UNHCR to better plan, programme and carry out emergency preparedness and response activities in different areas, including protection, camp and site management and shelter, as well as to prepare for solutions from the onset of an emergency. The risk analysis for emergencies is currently integrated into the regular risk review process in line with the UNHCR policy for enterprise risk management. Business continuity planning is a core element of the organizational resilience management system and part of the emergency preparedness process;

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

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

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

Statement

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

Based on the above, I conclude that, to the best of my knowledge and information, UNHCR operated under an effective system of internal controls and there were no material weaknesses to report for the year 2023 and up to the date of the approval of the organization's financial statements.

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

28 April 2024

Chapter V

Financial statements for the year ended 31 December 2023

United Nations High Commissioner for Refugees

I. Statement of financial position as at 31 December 2023

(Thousands of United States dollars)

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

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

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

United Nations High Commissioner for Refugees

II. Statement of financial performance for the year ended 31 December 2023

(Thousands of United States dollars)

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

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

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

United Nations High Commissioner for Refugees

III. Statement of changes in net assets for the year ended 31 December 2023

(Thousands of United States dollars)

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

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

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

United Nations High Commissioner for Refugees

IV. Statement of cash flow for the year ended 31 December 2023

(Thousands of United States dollars)

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

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

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

United Nations High Commissioner for Refugees

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2023^a

(Thousands of United States dollars)

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

^aThe 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).

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

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

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

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

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

**United Nations High Commissioner for Refugees
Notes to the 2023 financial statements**

Note 1

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

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

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

3. UNHCR has been mandated by the General Assembly to provide international protection to refugees and to find solutions to their plight. While States bear the primary responsibility for protecting refugees on their territory, UNHCR was established to ensure protection on behalf of the United Nations and to promote accessions to and supervise the application of the 1951 Convention relating to the Status of Refugees and the 1967 Protocol thereto. Through successive resolutions, the Assembly has recognized additional categories of displaced people, including refugees who have returned to their country of origin (returnees), stateless persons and, in certain circumstances, internally displaced persons. It has also authorized the Office to undertake a wider array of activities, such as the provision of humanitarian assistance and support for reintegration, as necessary, to fulfil the mandate of international protection and solutions. The UNHCR mandate on statelessness was further consolidated upon the entry into force of the 1961 Convention on the Reduction of Statelessness in 1975. In 2003, the Assembly decided to remove the temporal limitation on the continuation of the Office and to continue the Office until the refugee problem is solved (Assembly resolution [58/153](#)).

4. The High Commissioner reports annually to the General Assembly through the Economic and Social Council. The Executive Committee of the Programme of the High Commissioner was established pursuant to Assembly resolution [1166 \(XII\)](#) to provide advice to the High Commissioner in the exercise of his or her functions and to approve the use of voluntary funds made available to the High Commissioner. The annual cycle of meetings of the Executive Committee consists of one plenary session and several intersessional meetings of its subsidiary body, the Standing Committee. As at 31 December 2023, the Executive Committee consisted of 108 members. Each year, the report on the session of the Executive Committee is submitted to the Assembly as an addendum to the annual report of the High Commissioner.

5. UNHCR has its headquarters in Geneva, with Global Service Centres in Budapest and Copenhagen and liaison offices in New York and Brussels. As at 31 December 2023, UNHCR had a presence in 135 countries and/or territories, where its core work was managed through regional bureaux, country or multi-country offices, sub-offices and field offices in the following seven regions: West and Central Africa; East Africa, Horn of Africa and Great Lakes; Southern Africa; Middle East

and North Africa; Asia and the Pacific; Europe; and the Americas. Global programmes are managed by a number of divisions at headquarters.

Note 2

Accounting policies

Basis of preparation

6. The financial statements of UNHCR have been prepared on an accrual basis of accounting, in accordance with the International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board. Pursuant to IPSAS 1: Presentation of financial statements, paragraph 31, outlining the general requirements for the presentation of financial statements, and to comply with its promulgated financial rules, UNHCR departs from IPSAS by presenting the net balance of the Staff Benefits Fund within the net assets section of the statement of financial position. The net unfunded balance presented is composed of the accumulated balance of the employee benefit liabilities less the approved funding provided against those liabilities. This presentation, which provides more visibility to the unfunded balance of the Staff Benefits Fund, has been consistently applied to the financial statements since 2007. The full details required to comply with the presentation requirements of IPSAS are nevertheless reflected in note 3.14.

7. The financial statements have been prepared on a going-concern basis. This assertion is based on the approval by the UNHCR Executive Committee of the consolidated budget requirements for 2024 during its seventy-fourth plenary session (9-13 October 2023) and the historical trend of collection of pledges over the past years. The accounting policies have been applied consistently throughout the financial period. The amounts in the tables of the financial statements and the notes to the financial statements are rounded to the nearest thousand dollars. Totals may not add up owing to rounding.

Transactions and balances

8. In accordance with the financial rules for voluntary funds administered by the High Commissioner for Refugees ([A/AC.96/503/Rev.12](#)), the functional and reporting currency of UNHCR is the United States dollar.

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

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

Statement of cash flow

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

Changes in presentation

12. Following a rationalization of the detailed accounts in 2023, certain asset and liability balances and expenses have been recategorized to improve presentation of the nature of underlying assets, liabilities and related expenses. Where relevant and material, prior-year comparative numbers have been reclassified accordingly. The

specific reclassifications are explained in the footnotes accompanying the tables in the relevant notes below.

Materiality and use of judgment and estimates

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

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

Adoption of IPSAS 41

15. Effective 1 January 2023, UNHCR adopted IPSAS 41: Financial instruments which was issued in August 2018. The Standard replaced IPSAS 29: Financial instruments: recognition and measurement and introduces:

- (a) simplified classification and measurement requirements for financial assets;
- (b) a forward-looking impairment model; and
- (c) a flexible hedge accounting model.

Any changes from the initial adoption of the Standard are effective on that date thus do not require the restatement of the prior period amounts. As a result, the financial assets, financial liabilities, non-exchange and exchange receivables and investment revenue as at 31 December 2022 presented in these financial statements have been accounted for in accordance with the accounting policies as stated in the 2022 financial statements.

New classification and measurement principles for financial assets

16. IPSAS 41 introduces a principles-based approach to the classification of financial assets and requires the use of two criteria: the entity's model for managing its financial assets and the contractual cash-flow characteristics of those assets. Depending on these criteria, financial assets are classified into the following categories: 'financial assets at amortised cost' (AC), 'financial assets at fair value through net assets/equity' (FVNAE), or 'financial assets at fair value through surplus or deficit' (FVSD).

17. On 1 January 2023, the application of the new criteria resulted in the maintenance of the existing classification of all investments.

New impairment model

18. Whereas the previous impairment model was based on incurred losses, IPSAS 41 has introduced a forward-looking impairment model based on expected credit losses (ECL) over the lifetime of the financial asset. The ECL considers possible default events and the evolution of the credit quality of the financial assets. The new impairment model applies to all financial assets measured at AC or at FVNAE.

19. The following table shows the original measurement categories of UNHCR's financial assets under the IPSAS 29 as applied to the 2022 financial statements and the new measurement categories under IPSAS 41 for the UNHCR's financial assets as at 1 January 2023. There were no changes to the measurement categories of the financial liabilities.

(Thousands of United States dollars)

	<i>Measurement Category prior to IPSAS 41 adoption</i>	<i>Net carrying amount at 31/12/22</i>	<i>Measurement Category under IPSAS 41</i>	<i>Net carrying amount at 1/1/23</i>
Financial assets				
Cash and cash equivalents	AC	974 868	AC	974 868
Term deposits with original maturities under 3 months	AC	1 242 529	AC	1 242 529
Money market funds, other	FVSD	90 050	FVSD	90 050
Contributions Receivable (Note 3.2)	AC	2 010 391	AC	1 963 621
Other Accounts Receivable (Note 3.4)	AC	23 477	AC	23 477

20. The following table analyses the impact of the transition to IPSAS 41 of the Organization's financial assets and receivables. It reconciles the carrying amounts from their previous measurement category IPSAS 29 as applied to the 2022 financial statements, to their new measurement categories upon transition to IPSAS 41 on 1 January 2023:

(Thousands of United States dollars)

	<i>Balance at 31/12/22</i>	<i>Reclass- ification</i>	<i>Remeasure- ment</i>	<i>Balance at 1/1/23</i>		
Financial assets (investment and cash and cash equivalents)				FVSD	AC	Total
Cash and cash equivalents (Note 3.1)	974 868	1 242 529	-	2 217 397		2 217 397
Short term investments (Note 3.1)	1 332 579	(1 242 529)	-	90 050	-	90 050
Total financial assets (investments and cash and cash equivalents)	2 307 447	-	-	90 050	2 217 397	2 307 447
Contribution receivables balance ^a (Notes 3.2) ^a	2 010 391	-	(46 770)	-	1 963 621	1 963 621
Total impact of IPSAS 41 adoption	4 317 838	-	(46 770)	90 050	4 181 018	4 271 068

^a Remeasurement of contribution receivables upon implementation of IPSAS 41 was calculated using the World Bank Special Drawing Right interest (SDRi) rate applicable at 31 December 2022. The comparative numbers for 2022 reflected in note 3.2 do not include the impact of remeasurement, since the adoption of IPSAS 41 resulted in a restatement of opening receivables on 1 January 2023.

Revenue

Non-exchange revenue

21. 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.

22. 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.

23. 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

24. 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

25. 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

26. Interest revenue is recognized over the period in which it is earned. Besides interest earned on operational cash balances, interest revenue includes the impact of amortization of cash and cash equivalents arising from the measurement of term deposits at amortized cost and mark-to-market adjustments for money market funds classified as FVSD for the purposes of IPSAS 41. Any impact of changes in the amortized cost of financial asset receivables classified as AC for the purposes of IPSAS 41 is recognized as a component of interest revenue.

Expenses

27. 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

28. Financial instruments are contractual arrangements that result in a financial asset for one entity and a financial liability or equity instrument for another. UNHCR's financial assets comprise cash and cash equivalents, investments, accounts receivable, and other miscellaneous receivable balances from exchange transactions. Tax receivables are not considered to represent financial instruments for the purposes of IPSAS 41.

29. UNHCR financial liabilities comprise, accounts payable and accruals which are recognized initially at fair value and subsequently measured at amortized cost.

30. When financial assets and liabilities are short term, as the impact of amortization is not material, amortized cost is equivalent to the trade date amount at inception for cash and cash equivalents or to the original invoice value at the time the related goods or services are delivered and accepted for receivables and financial liabilities.

31. UNHCR uses World Bank special drawing rights (SDRs) as the reference rates for the initial measurement of long-term receivable financial assets and financial liabilities under IPSAS 41.

32. The classification of financial instruments and assessment of materiality considerations for the purposes of IPSAS 41 are subject to annual review.

Assets

Financial assets measurement and classification

33. The classification of financial assets depends primarily on the purpose for which the financial assets are acquired. UNHCR classifies its financial assets in one of the categories shown below at initial recognition and re-evaluates the classification at each reporting date. Paragraphs 15-20 above *Adoption of IPSAS 41* describe a change in classification due to adoption of IPSAS 41 effective 1 January 2023.

<i>Classification</i>	<i>Financial assets</i>
Fair value through surplus and deficit	Money market funds
Amortized cost	Cash and cash equivalents and receivables

34. All financial assets are initially measured at fair value. UNHCR initially recognizes financial assets classified as loans and receivables on the date on which they originated. All other financial assets are recognized initially on the trade date, which is the date on which the Organization becomes party to the contractual provisions of the instrument.

35. Financial assets with maturities beyond 12 months at the reporting date are categorized as non-current assets in the financial statements. Assets denominated in foreign currencies are translated into United States dollars at the United Nations operational rates of exchange prevailing at the reporting date, with net gains or losses recognized in surplus or deficit in the statement of financial performance.

36. Financial assets at fair value through surplus or deficit are those that have been designated in this category at initial recognition, are held for trading or are acquired principally for the purpose of selling in the short term after an assessment of their contractual cash flows characteristics as well as the determination of the Organisation's management model of such financial assets, which is to both collect contractual cash flows. These assets are measured at fair value at each reporting date, and any gains or losses arising from changes in the fair value are presented in the statement of financial performance in the year in which they arise.

37. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recorded at fair value, plus transaction costs, and are subsequently reported at amortized cost calculated using the effective interest method. Interest revenue is recognized on a time proportion basis using the effective interest rate method on the respective financial asset.

38. Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment. Evidence of impairment includes default or delinquency of the counterparty or permanent reduction in the value of the asset. Impairment losses are recognized in the statement of financial performance in the year in which they arise.

39. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and UNHCR has transferred substantially all risks and rewards of the financial asset. Financial assets and liabilities are offset, and the net amount is reported in the statement of financial position when there is a legally

enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

Cash and cash equivalents

40. Cash and cash equivalents comprise cash on hand, cash at banks and short-term deposits with maturities of three months or less. Cash and cash equivalents and short-term investments in term deposits are measured at amortized cost and initially based on a forward-looking assessment of any material credit loss risk for a 12-month period.

Investments

41. Investments in short-term deposits generally held to maturity with maturities between 3 and 12 months are measured at amortized cost. Any credit exposures for which there has been a significant increase in credit risk since initial recognition are recognized based on full lifetime ECL.

42. Investments in money market funds with a fixed amount to be redeemed, a term of 3 month or less at the time of investment, and a credit rating of AAA or a comparable high rating are classified as a component of cash and cash equivalents. Other investments in money market funds are measured at fair value with changes recorded through surplus and deficit.

43. Investment revenue is included in interest revenue.

Contributions and other receivables

44. The principal on UNHCR's receivables that are classified as financial assets is deemed to be the amount resulting from the transaction, and the interest element is deemed to be zero. UNHCR holds such receivables to collect the cash flow and they are classified and measured at amortized cost, in accordance with IPSAS 41 paragraph 40.

45. Short term contributions receivable are measured at amortized cost and recorded at nominal or original invoice value.

46. Non-current receivables designated as financial assets for the purposes of IPSAS 41 are discounted using World Bank special drawing rights (SDRs) as the reference rates for the initial measurement of financial assets and liabilities under IPSAS 41. UNHCR has no history of credit losses on contributions receivable therefore the impact of expected credit losses in the measurement of these receivables is currently zero.

47. Other receivables that are not financial assets for the purposes of IPSAS 41 are stated at nominal value, less allowance for doubtful accounts. Allowances for doubtful accounts are recognized when there is objective evidence that a receivable is impaired. Allowances are recognized based on historical collection experience and/or evidence indicating that the collection of a particular receivable is in doubt. Impairment losses are recognized in the statement of financial performance of the year in which they arise.

Inventories

48. 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.

49. 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.

50. The cost of inventories includes purchase cost (or fair value if received in-kind) and all other costs, such as transportation, insurance and inspection costs incurred to bring the inventories to the first UNHCR-controlled receiving location in the destination country. Costs incurred to move inventories between in-country warehouses or distribution points are expensed as incurred.

51. The cost of inventories is determined on a weighted average basis.

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

53. Inventories are reviewed periodically for obsolescence and an allowance is made based on past experience.

Other assets

54. Other assets are other claims on third parties, including prepayments for implementing partners, CBI and commercial transactions, as well as tax and miscellaneous exchange receivables and advances. These are recognized when UNHCR expects to receive cash or financial benefits in the future.

Property, plant and equipment

Measurement of costs at recognition

55. 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.

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

57. Prior to 2023, individual items of movable property, plant and equipment which did not meet this minimum cost threshold were expensed directly in the period of acquisition without capitalization. From 2023, such low value assets are capitalized and tracked as fixed assets and depreciated 100% in the year of acquisition. The prior period comparative cost and accumulated depreciation balances have been adjusted accordingly. The change of presentation had no impact on net assets. The impact of the change is summarized as follows:

Impact of restatement of Property, plant and equipment, 2022

(Thousands of United States dollars)

	<i>31 December 2021</i>	<i>Impact of restatement</i>	<i>1 January 2022</i>	<i>Before reclass ifications</i>	<i>Impact of reclassifications</i>	<i>31 December 2022</i>
Cost before adjustment	447 059	138 280	585 339	26 539	30 690	642 568
Accumulated depreciation	(232 584)	(138 280)	(370 864)	(5 817)	(30 690)	(407 371)
Net book value	214 475	-	214 475	20 722	-	235 197

<i>Impact on expense categories</i>			
Depreciation	35 193	30 690	65 883
Equipment & supplies	169 924	(30 690)	139 234
Total impact on selected expenses of 2022	205 117	-	205 117

58. 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.

59. 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

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

<i>Class</i>	<i>Estimated useful life (in years)</i>
Permanent buildings – headquarters	40
Permanent buildings – other locations	20
Leasehold – major improvements and alterations	The lesser of the remaining lease term, plus any renewal option expected to be exercised, and the asset's useful life
Donated right of use – major improvements and alterations	The lesser of the period for which UNHCR expects to use the asset and the asset's useful life
Motor vehicle equipment – heavy	10
Motor vehicle equipment – armoured	10
Motor vehicle equipment – light	8
Equipment, including generators, telecommunications, security and safety, storage, computers and office furniture and fittings	5

61. Changes in useful lives are accounted for prospectively as a change in accounting estimate. Assets that are subject to depreciation or amortization are reviewed annually for evidence of impairment to ensure that the carrying amounts are still considered to be recoverable.

62. The estimated useful life of light vehicles was revised from six to eight years in 2022 to reflect recent historical experience and minimize the expected future gains or losses upon planned disposals prior to the end of their useful lives. No useful life revisions to major asset categories were necessary in 2023.

Intangible assets

63. 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.

64. 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.

65. In 2023, the remaining net book value of software developed or enhanced internally is derecognized due to the substantive completion of the planned transformation away from on-premises controlled software solutions and towards a software as a service-based approach. The stand-alone value of any residual components of controlled in-house software solutions are no longer material and are no longer reliably measurable independent of the derecognized assets.

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

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

Software as a service

67. Costs incurred to configure or customize, and subscriptions fees to access cloud-based software as a service (SaaS) are recognized as operating expenses when the services are received if the systems utilized do not meet the criteria to be recognized as controlled assets. Subscriptions fees contracted for the pre-deployment period that are distinct from configuration costs are amortized over the remainder of the minimum subscription period, starting from the date of initial active deployment.

68. Costs incurred for the development of software code that enhances or modifies or creates additional capability to existing on-premises systems and satisfies the recognition criteria for an intangible asset are recognized as intangible software assets and amortized over the remaining useful life of the software on a straight-line basis. The useful lives of intangible software assets are reviewed at least annually. Any change in useful lives, including those due to such enhancements, are accounted for prospectively as a change in accounting estimate.

69. The assessment of whether costs to integrate and bridge controlled software to software-as-a-service solutions meet recognition criteria for capitalization as intangible software assets may involve key judgments as to the exact nature of the costs incurred, including whether a separate asset can be reliably measured.

Liabilities

Accounts payable and accruals

70. Accounts payable are financial liabilities incurred to settle the cost of either goods or services that have been acquired and received by UNHCR and for which the invoices have been received from the suppliers or represent amounts due to implementing partners against agreements implemented by those partners. They are initially recognized at fair value and, when applicable, subsequently measured at amortized cost using the effective interest method. As the accounts payable of UNHCR generally fall due within 12 months, the impact of discounting is immaterial, and nominal values are applied to initial recognition and subsequent measurement for the purposes of IPSAS 41.

71. Accruals are financial liabilities for goods and services as at the reporting date that have been received by or provided to UNHCR during the year and have not been invoiced by suppliers or claimed by partners. Accruals include the estimated implemented share of the value of partnership agreements when partner reports confirming implementation have not yet been reported or processed.

Other liabilities

72. Other liabilities primarily include obligations for future refunds and other miscellaneous items such as unapplied cash receipts. Future refund obligations are designated in the same manner as accounts payable and accruals and recorded at nominal value, as the impact of discounting is immaterial.

Employee benefits

73. 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

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

Post-employment benefits

75. 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.

76. 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

77. 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.

78. 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

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

Provisions and contingencies

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

81. 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

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

83. The UNHCR budget is based on a comprehensive assessment of the humanitarian and protection needs of displaced people. The High Commissioner may approve supplementary budgets in the case that new needs cannot be fully met from the approved UNHCR programme budget. Supplementary budgets are reported to each subsequent meeting for the Standing Committee to take note of them.

84. 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 1) the comparison of the actual budgetary amounts presented in statement V with the IPSAS actual expense amounts presented in the statement of financial performance (statement II), and 2) the reconciliation of the difference between actual budgetary resources and expenditure with the cash increase/decrease presented in the cash flow statement (statement III).

Segment reporting

85. 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.

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

87. The structure of UNHCR internal financial reporting is organized into seven regions plus headquarters and global programmes for the purpose of evaluating performance in achieving UNHCR objectives and in making decisions about the future allocation of resources. Note 8 presents the regional and headquarters segment reporting schedules.

87. As at 31 December 2023, special funds and accounts comprised the Working Capital Fund for Voluntary Contributions, the Staff Benefits Fund, the Medical Insurance Plan and the Self-Financing Activities Fund.

Joint operations/UN FLEET

88. In 2022, UNHCR and the World Food Programme (WFP) signed a Memorandum of Understanding to establish a joint operation for the provision of mobility solutions to the UN system, referred to as UN FLEET, including vehicle leasing, insurance services and other related services. UN FLEET operations commenced in 2023. UN FLEET is not established as a separate entity with legal form and is jointly governed and funded by UNHCR and WFP, with each providing half of the approved funding. UNHCR recognizes its share in the assets and liabilities of UN FLEET, and of its revenues and expenses earned or incurred jointly with WFP under IPSAS 37: Joint arrangements. UNHCR's share of the net assets and results of joint operation of 2023 are not material. The results and financial position are recorded as a component of the Headquarters segment in 2023.

New accounting standards

89. IPSAS 41: Financial instruments was issued in 2018, initially with an effective date of 1 January 2022, which was subsequently deferred by one year to 1 January 2023 through the final pronouncement, entitled "COVID-19: Deferral of Effective Dates", issued in 2020. The opening net assets and liabilities of 2023 are restated to reflect the impact of discounting in the measurement of amortized cost of long-term contribution receivables necessary as a consequence of the adoption of the standard in 2023. The result was a \$42.9 million change (reduction) in the measurement of earmarked contributions receivables in 2023, and a restatement of the opening balance of \$46.8 million. For the other financial assets, the impact on the financial statements of UNHCR upon adoption is limited to additional disclosures as the financial impact is immaterial to the results and financial position of UNHCR at 31 December 2023.

90. IPSAS 42: Social benefits was issued in 2019, with an effective date of 1 January 2022, which was subsequently deferred by one year to 1 January 2023 through the final pronouncement, entitled “COVID-19: Deferral of Effective Dates”, issued in 2020. IPSAS 42 is not expected to be applicable to UNHCR in the foreseeable future.

91. IPSAS 43: Leases was issued in January 2022 with an effective date of 1 January 2025. IPSAS 43 supersedes IPSAS 13: Leases and introduces the right-of-use model for lessees. Its impact on the financial position of UNHCR upon adoption, including the impact of consequential amendments to other standards, is currently being assessed. Based on the right-of-use model, upon adoption of the new standard and after the expiration of the validity of any transitional provisions that may be applied, most expense leases will be required to be capitalized, resulting in an increase in the amount of capitalized assets and the recording of related lease liabilities.

92. IPSAS 43 will also be applicable to revenue leases, including those entered into by UN FLEET with UN System entities utilizing its services. The treatment of these leases under IPSAS 43 is still being assessed.

93. IPSAS 44: Non-current assets held for sale and discontinued operations was issued in May 2022. IPSAS 44 promulgates accounting for assets held for sale and the presentation and disclosure requirements of discontinued operations, in alignment with International Financial Reporting Standard 5. Adoption of the standard is mandatory in the financial year ending 31 December 2025. Given the definitions and scope of non-current assets held for sale, the recognition and measurement impacts are not expected to be significant for UNHCR. Any impact of the presentation and disclosure changes will depend on the future identification of discontinued operations, starting on 1 January 2025.

94. IPSAS 45: Property, plant, and equipment was issued in May 2023 and replaces IPSAS 17: Property, plant and equipment (PP&E). IPSAS 45 removes the scope exclusion for heritage PP&E, provides application and implementation guidance on infrastructure assets and captures PP&E-related measurement impacts from IPSAS 46. The impact of IPSAS 45 will be assessed prior to the 1 January 2025 effective date.

95. IPSAS 46: Measurement was issued in May 2023 and draws upon IFRS 13 Fair Value Measurement with the addition of public sector specific elements, including the current operational value measurement basis. Adoption of the standard is mandatory for the financial year ending 31 December 2026. The impact of IPSAS 46 will be assessed prior to the 1 January 2025 effective date. The adoption of IPSAS 46 is not expected to change UNHCR’s accounting policy choice applying the historical cost model to tangible and intangible assets.

96. In March 2023, the IPSAS Board issued IPSAS 47: Revenue and IPSAS 48: Transfer expenses, each with an effective date of 1 January 2026. IPSAS 47 replaces IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers) to create a single consolidated revenue standard. IPSAS 48 is applicable to the accounting for substantially all UNHCR expenses incurred through implementing partners.

97. The impact of both IPSAS 47 and IPSAS 48 is currently being assessed.

98. Based on preliminary assessments, the impact of IPSAS 47 on UNHCR accounting for earmarked voluntary contributions is likely to be significant. Under the current IPSAS 23, UNHCR recognizes substantially all voluntary contributions as non-exchange revenue upon signature of the relevant contribution agreement. Under IPSAS 47, UNHCR will be required to record revenue from unearmarked contributions on a cash receipt basis and revenue from earmarked voluntary

contributions when (or as) any identified compliance obligations under binding arrangements, and any enforceable obligations arising from other earmarked contributions, are duly satisfied. Compliance obligations and enforceable obligations, as defined in IPSAS 47, are concepts that broadly align with the expectations and entitlements of donors under many individually significant earmarked voluntary contribution agreements. The change in revenue recognition approach upon implementation of IPSAS 47 is expected to result in a significant shift in the timing of recognition for a substantial share of UNHCR revenue from earmarked voluntary contributions from the year of signature of the contribution agreement to the subsequent year(s) for which the funds are intended, and when UNHCR satisfies the relevant obligations.

99. The impact of IPSAS 48 on the UNHCR implementing partner expense accounting is not expected to be significant, as in the absence of specific IPSAS guidance prior to the publication of IPSAS 48, current UNHCR accounting for implementing partner expenses has been preliminarily assessed as being broadly aligned with the accounting approach reflected in IPSAS 48.

100. IPSAS 49: Retirement Benefit Plans was issued in November 2023 and aligns to International Accounting Standards (“IAS”) 26: Accounting and Reporting by Retirement Benefit Plans. It prescribes the accounting and reporting requirements for public sector retirement benefit plans. A retirement benefit plan that prepares and presents financial statements under the accrual basis of accounting shall apply IPSAS 49. The Standard does not deal with other forms of employment benefits such as employment termination benefit or after service health insurance plans. Adoption of the standard is mandatory for the financial year ending 31 December 2026. IPSAS 49 is not expected to have any impact on UNHCR’s financial reporting.

Note 3

Assets and liabilities

3.1 Cash and cash equivalents

Table 3.1.1

Summary of cash and cash equivalents

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (reclassified ^a)
Cash and cash equivalents		
Headquarters bank and cash	438 000	684 618
Field offices bank and cash	367 420	290 251
Short-term deposits	1 207 444	1 242 529
Investments in money market funds	5 470	90 050
Total cash and cash equivalents and short-term investments	2 018 333	2 307 447

^a In 2023 term deposits and money market funds with an original duration of less than three months have been reclassified from investments to cash and cash equivalents. Prior year comparative amounts have also been reclassified accordingly. Investments in money market funds meet the criteria for classification as cash and cash equivalents.

101. Cash required for immediate disbursement is maintained in cash and bank accounts. Balances in short-term deposit accounts and money market funds are available at short notice and meet the criteria for classification as cash and cash equivalents.

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

Table 3.1.2

Earmarking of cash and cash equivalents

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (reclassified)
Cash and bank balances		
Operational	694 840	870 050
Junior Professional Officers Fund	10 579	9 208
Operational cash and bank balances	705 419	879 258
Working Capital Fund for Voluntary Contributions	100 000	95 610
Non-operational cash and bank balances	100 000	95 610
Total cash and bank balances	805 419	974 868
Short term deposits and investments		
Staff Benefits Fund	877 269	737 680
Medical Insurance Plan	73 593	69 581
Self-Financing Activities Fund	222 810	201 246
Operational	39 242	324 072
Total short-term deposits and investments	1 212 914	1 332 579
Of which:		
Operational	744 661	1 203 330
Non-operational	1 273 672	1 104 117
Total cash and cash equivalents	2 018 333	2 307 447

Table 3.1.3

Currency position of cash and cash equivalents

(Thousands of United States dollars)

Holding currency	Position at 31 December 2023	Strengthening of United States dollar by 10 per cent	Weakening of United States dollar by 10 per cent
United States dollar	1 735 378	-	-
Euro	57 127	(5 193)	5 713
Ugandan shilling	19 331	(1 757)	1 933
West African CFA franc	13 164	(1 197)	1 316
Sudanese pound	12 240	(1 113)	1 224
Other currencies	181 093	(16 463)	18 109
Total cash and cash equivalents and investments	2 018 333	(25 723)	28 295

103. Cash and cash equivalents and short-term investments are held primarily in United States dollars. Table 3.1.3 indicates the impact on surplus or deficit if the dollar strengthens or weakens by 10 per cent, on an asymmetric basis, holding all other variables constant, compared with the exchange rates in effect on 31 December 2023.

Table 3.1.4
Credit ratings of cash and cash equivalents

(Thousands of United States dollars)

	<i>Credit ratings^a</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Short-term deposits	Prime-1	1 207 444	1 242 529
Cash – other		805 419	974 868
Of which:	Prime-1	605 917	799 637
	Prime-2	27 244	22 372
	Prime-3	39 088	21 201
	Unrated/unknown	133 170	131 657
Total cash and cash equivalents and short-term investments		2 012 863	2 217 397
Short-term investments			
Money market funds	Aaa	5 470	90 050
Total investments		5 470	90 050
Total cash and cash equivalents		2 018 333	2 307 447

^a Long-term ratings for money market funds and short-term deposits ranged from Aa3 to A1 in 2023 and 2022. For cash – other, ratings are based on aggregated bank group ratings and long-term ratings ranging from Aa1 to Baa3 in 2022 and 2023. Issuers rated Prime-1, Prime-2 or Prime-3 have a superior, strong or acceptable ability to repay short-term debt obligations, respectively, based on Moody's short-term rating definitions.

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

3.2 Contributions receivable

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

Table 3.2.1
Analysis of net contributions receivable by donor class

(Thousands of United States dollars)

	<i>31 December 2023</i>	<i>31 December 2022</i>
Current contributions receivable		
Governments	847 264	933 205
United Nations system organizations and funds	84 015	63 742
Other intergovernmental organizations	194 926	169 073
Private donors	131 438	97 959
Current contributions receivable before allowances	1 257 643	1 263 979
Allowance for doubtful accounts	(9 930)	(6 348)
Total current contributions receivable	1 247 714	1 257 631
Non-current contributions receivable		
Governments	593 704	678 630
United Nations system organizations and funds	10 340	15 074
Other intergovernmental organizations	41 460	51 580
Private donors	20 127	7 475
Total non-current contributions receivable before discounting	665 631	752 760
Discounting of non-current receivables (IPSAS 41)	(42 935)	-
Net contributions receivable	1 870 409	2 010 391

Table 3.2.2
Summary of contributions receivable by year due

(Thousands of United States dollars)

<i>Year due</i>	<i>31 December 2023</i>	<i>Percentage</i>	<i>Year due</i>	<i>31 December 2022</i>	<i>Percentage</i>
2022 and before	53 969	2.9	2021 and before	9 346	0.5
2023	197 774	10.6	2022	211 532	10.5
2024	995 970	53.2	2023	1 036 753	51.6
Total current contributions receivable	1 247 713	66.7		1 257 631	62.6
2025	479 821	25.6	2024	338 381	16.8
2026	156 280	8.4	2025	323 181	16.1
2027	29 530	1.6	2026	90 925	4.5
2028	-	-	2027	272	0.0
Total non-current contributions receivable before discounting	665 631	35.6		752 760	37.4
Discounting of non-current receivables	(42 935)	(2.3)		-	-
Total contributions receivable	1 870 409	100.0		2 010 391	100.0

106. Contributions receivable are treated as financial assets for the purposes of IPSAS 41 and non-current contributions receivable are measured at amortized cost by discounting their nominal value from the estimated date of future cash receipts using the applicable World Bank Special Drawing Right interest rate (SDRi). Contribution receivables are measured at amortized cost notwithstanding the fact that earmarking requirements of donors have not yet been satisfied, and the date of receipt of the funds may be dependent on the timing of the future satisfaction of the earmarking requirements.

107. The impact of discounting non-current contributions receivable to amortized cost is attributable to the implementation of IPSAS 41 from 1 January 2023. The amortization of the restated receivable balance on that date until 31 December 2023 is included within interest income. See note 5.3.

108. The movement of the allowance for doubtful accounts during 2023 was as follows:

Table 3.2.3

Change in allowance for doubtful contributions receivable

(Thousands of United States dollars)

	31 December 2022	Write-offs	Increase (Decrease)	31 December 2023
Allowance for doubtful accounts	6 348	-	3 630 (48)	9 930

109. Contributions receivable are presented net of allowances for those receivables which are past due and for which there is objective evidence that the amounts due are impaired. The impaired receivables represent disputed claims and are not indicative of credit risk.

Table 3.2.4

Ageing of net contributions receivable

(Thousands of United States dollars)

Contributions receivable	Gross nominal amount	Allowances (impairment)	Net nominal amount
Not overdue as at 31 December 2023	1 661 603	(3)	1 661 600
Less than 12 months overdue	198 144	(369)	197 775
More than 12 months overdue	63 527	(9 558)	53 969
Total contributions receivable before discounting	1 923 274	(9 930)	1 913 344

Table 3.2.5

Total contributions receivable by currency

(Thousands of United States dollars)

Contributions receivable by currency	31 December 2023	Strengthening of United States dollar by 10 per cent	Weakening of United States dollar by 10 per cent
United States dollar	631 308	-	-
Euro	536 969	(48 815)	53 697

<i>Contributions receivable by currency</i>	<i>31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
Danish krone	256 897	(23 354)	25 690
Swedish krona	199 952	(18 178)	19 995
Other currencies	288 218	(26 202)	28 822
Total contributions receivable before discounting	1 913 344	(116 549)	128 204

110. Contributions receivable are denominated largely in United States dollars, euros, Danish krone and Swedish krona. Table 3.2.5 indicates the impact on surplus/(deficit) owing to changes in the dollar-equivalent value of contributions if the dollar strengthens or weakens by 10 per cent, on an asymmetric basis, holding all other variables constant, compared with the exchange rates in effect as at 31 December 2023.

Table 3.2.6

Total contributions receivable by credit risk exposure

(Thousands of United States dollars)

	<i>31 December 2023</i>	<i>31 December 2022</i>
Government ratings^a		
Aaa–Aa3	1 338 875	1 435 415
A1–A3	81 573	159 625
Baa1–Baa3	15 792	9 798
Ba1–B3	1 392	743
Caa–Ca	2 000	2 000
Unrated	1 337	4 399
Total governments contributions receivable	1 440 969	1 611 981
Intergovernmental organizations	236 386	220 600
United Nations system organizations and funds	94 355	78 724
Private donors	151 564	105 434
Contributions receivable before allowance	1 923 274	2 016 739
Allowance for doubtful accounts	(9 930)	(6 348)
Total contributions receivable before discounting	1 913 344	2 010 391

^a Moody's ratings.

111. Contributions receivable are recorded primarily based on pledges received and accepted from governments and intergovernmental organizations. Table 3.2.6 indicates the exposure by credit rating for net contributions receivable from governments. Comparable credit ratings applicable to other contributions receivable are not readily available. Credit risk on contributions receivable is mitigated by the fact that financial commitments resulting from contribution agreements are generally entered into only after related contributions funding has been received.

3.3 Inventories

112. The distribution or internal consumption of inventory is recorded as an expense in the statement of financial performance under distributions to either partners (note 6.1) or to beneficiaries (note 6.4), or - when consumed internally - under the relevant category of equipment and supplies (note 6.7). Inventories intended for long term internal usage may also be transferred to property plant and equipment (note 3.5).

113. The following tables show the composition of the inventory balance at year-end (table 3.3.1) and the reconciliation of inventory changes during the year (table 3.3.2).

Table 3.3.1

Summary of inventory by type

(Thousands of United States dollars)

<i>Inventory type</i>	<i>31 December 2023</i>	<i>31 December 2022 (reclassified^a)</i>
Medical and hygienic supplies and apparel	11 321	22 593
Household items	186 335	225 743
Tents	89 834	109 752
Construction materials and related equipment	12 078	8 134
Basic food	364	479
Other supplies and equipment	143 477	114 494
In-transit and other	46 115	-
Assets held for distribution	-	2 021
Subtotal	489 523	483 214
<i>Less: inventory valuation allowance</i>	(64 517)	(18 589)
Total inventory^b	425 005	464 625

^a In 2023, the categorization of inventory by type has been updated. Prior year amounts have been reclassified for comparability with the current categorization,

^b In 2023, UNHCR implemented a new inventory management system as part of its new finance and supply chain IT infrastructure implementation. The implementation of the new system facilitated a standardization of the inventory valuation methodology using weighted average cost for all UNHCR warehouse locations to achieve full compliance with IPSAS 12. Prior to the change, actual unit cost was used to determine costs in some locations and average cost was used at other locations. It is not practical to recalculate 2022 inventory values following the same average cost methodology that is applied in 2023. However, due to the very similar valuation bases and the relatively short average holding periods for most inventory items, the change to consistent use of average costing in 2023 is not expected to lead to significant changes in inventory valuations over time. The transition to average costing did not result in any restatement of inventory value at the date of system conversion in 2023.

114. At year-end, UNHCR held inventory items with a total value of \$425.0 million net of valuation allowances. This is equivalent to approximately 12 months' distribution made in 2023 (approximately 12 months in 2022).

115. Prior to their disposal, assets previously in use and held for distribution to partners are recategorized from property, plant and equipment to inventory (see table 3.5.1).

Table 3.3.2

Movement in inventory

(Thousands of United States dollars)

<i>Inventory reconciliation</i>	<i>2023</i>	<i>2022 (reclassified^a)</i>
Opening inventory as at 1 January	464 625	300 376
Cost of goods acquired ^b	397 830	598 214
Cost of goods distributed	(435 183)	(451 255)
Transfers (to)/from property, plant & equipment	23 504	-
Other adjustments ^c	20 158	22 802
Change in inventory valuation allowance	(45 929)	(5 513)
Closing inventory as at 31 December	425 005	464 625

^a Where practicable, inventory balances at 31 December 2022 and movements for the period ending 31 December 2023 are presented to ensure comparability with the 2023 presentation. See also footnote of table 3.3.1.

^b Includes in-kind contributions and consumables.

^c Other adjustments primarily consists of \$16.8 million to reflect the initial recognition in 2023 of low value tracked items (LVTIs) on hand in controlled warehouse locations. LVTIs were previously expensed upon acquisition. From 2023, when delivered to a controlled warehouse, LVTIs are accounted for as inventory until they are either externally distributed and expensed accordingly or are put into use, at which time they are transferred to PPE and immediately depreciated. It was not practical to identify the impact on opening inventory balances of the initial recognition of elements of this balance that may have been on hand at 1 January 2023. The remaining offsetting adjustment of consists of miscellaneous inventory corrections (\$3.4 million).

Table 3.3.3
Change in inventory valuation allowance

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>Increase/(decrease)</i>	<i>31 December 2023</i>
Inventory valuation allowance	18 589	45 929	64 517

116. The inventory valuation allowance as at 31 December 2023 reflects impairments pending clarification of possible discrepancies in recorded quantities identified during physical verification (\$26.6 million), value adjustments for inventory items beyond their shelf lives (\$16.2 million), in transit balances between warehouses for extended periods (\$6.7 million), in transit balances overdue from suppliers (\$2.8 million), and impairment of vehicles held in warehouses for more than 12 months pending deployment (\$1.9 million). In 2023 UNHCR warehouses in Sudan were subject to looting. As a result, an additional impairment allowance of \$10.4 million was recorded pending final verification of losses. It is expected that a significant share of the final losses will be covered by insurance. See note 9.4. Contingent assets.

3.4 Other current assets

Table 3.4

Summary of other current assets

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (reclassified ^a)
Prepayments commercial, partners and other	424 131	227 127
UN entity receivables	47 149	27 545
Implementing partner receivables	5 228	-
Value added tax receivables	37 930	41 482
Staff advances	58 384	19 000
Other assets	11 188	7 435
Subtotal	584 009	322 588
<i>Less: allowance for other current assets</i>	<i>(12 435)</i>	<i>(23 691)</i>
Total other current assets	571 574	298 897

^a Prior period balances are recategorized within other current assets for greater comparability with 2023 reported amounts. Amounts previously disclosed in a separate category of deposits with suppliers are now presented under prepayments commercial, partners and other as there is no longer any substantive basis for distinguishing between the two categories previously presented.

117. Prepayments (e.g., under implementing partnership agreements, to financial service providers under cash assistance arrangements, and to property owners for rent) are payments made in advance of provision of goods or commercial and partnership services for which the final claims of the suppliers and partners have yet to be processed.

118. In 2023 prepayments include \$328.6 million (2022: \$113.7 million) for activities of implementing partners to be performed during the period for which reports to confirm these activities have not yet been processed (see note 6.1). The increase from 2022 is due to a delay in processing the reports during the system changes.

119. Based on past experience, the amounts advanced as prepayments that – pending the processing of partner reports – are expected to be confirmed as implementing partner expenses in 2023 are recorded as accrued liabilities. Prepayments relating to 2023 partner activities are released as and when the annual partner report processing is completed. See note 6.1. and note 6.7. The accrued liabilities are released at the same time as the actual expenses reported are processed.

120. In addition to prepayments for the activities of 2023 not yet fully reported and processed, implementing partner prepayments include \$10.6 million for 17 projects where the delivery of services is extended into 2024 (2022: \$43.2 million for 96 extended projects) and \$3.1 million of first instalments for 2 projects due for implementation in 2024 (2022: \$70.5 million against 267 new projects).

121. Implementing partner receivables represent amounts due from implementing partners related to activities originally agreed but not implemented during the reporting period or an earlier period.

122. Prepayments to financial service providers of cash-based assistance not yet delivered to final beneficiaries, net of estimated deliveries not yet reported by financial service providers, amounted to \$47.1 million. Other prepayments of \$48.1 million relate largely to commercial vendors.

123.. Staff advances consist primarily of education grants, rental subsidies, travel, medical expenses, salary and other staff entitlements.

124. 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

125. 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.

126. Assets held at 31 December 2023 for distribution to partners were recategorized to inventory (see table 3.3.1).

Table 3.5.1
Property, plant and equipment, 2023

(Thousands of United States dollars)

	<i>Land and buildings</i>	<i>Major alterations and improvements</i>	<i>Motor vehicles</i>	<i>Generators</i>	<i>Computer and telecommunications equipment</i>	<i>Other equipment</i>	<i>Total</i>
Cost / Valuation							
Opening balance at 1 January 2023	32 287	25 338	354 682	55 144	155 375	19 742	642 568
Additions - purchased	1 463	459	31 772	7 117	24 488	2 039	67 338
Additions - contributions in kind	564	-	-	-	5	-	569
Net Transfers (to)/from Inventory	-	-	(20 167)	(2 598)	(365)	(375)	(23 505)
Other Adjustments	-	(574)	(1 576)	221	(71)	-	(2 000)
Disposals ^a	(165)	-	(43 003)	(11 052)	(3 206)	(3 021)	(60 447)
Closing balance at 31 December 2023	34 149	25 223	321 708	48 832	176 226	18 384	624 522
Accumulated Depreciation							
Opening balance at 1 January 2023	(28 361)	(8 967)	(164,318)	(37 948)	(149 199)	(19 125)	(407 918)
Transfers and recategorizations	-	-	(2 096)	(984)	(1 218)	4 844	546
Disposals ^a	165	-	28 018	6 564	3 333	1 218	39 298
Depreciation charge for the year ^b	(1 832)	(1 891)	(29 155)	(5 605)	(20 888)	(2 230)	(61 601)
Impairment	-	-	(4 051)	(371)	(160)	(70)	(4 652)
Closing balance at 31 December 2023	(30 028)	(10 858)	(171 602)	(38 344)	(168 131)	(15 363)	(434 326)
Net book value							
Opening balance at 1 January 2023	3 926	16 371	190 364	17 196	6 176	617	234 650
Closing balance at 31 December 2023	4 121	14 365	150 106	10 488	8 095	3 021	190 196

^a Disposals included assets transferred to partners with a net book value of \$11.8 million.

^b During 2023 and prior to commencement of depreciation, items with a total cost of \$28.3 million that were initially accounted for as asset additions of the period in which they were delivered to UNHCR warehouse locations were recategorized as inventory pending external distribution or entry into use if distributed internally. Following the

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change in accounting treatment, items purchased and received at inventory locations are accounted for as inventory pending determination of their ultimate use, either as fixed assets or for distribution.

Table 3.5.2

Property, plant and equipment, 2022

(Thousands of United States dollars)

	<i>Land and buildings</i>	<i>Major alterations and improvements</i>	<i>Motor vehicles</i>	<i>Generators</i>	<i>Computer and telecommunications equipment</i>	<i>Other equipment</i>	<i>Total (reclassified^a)</i>
Cost/valuation							
Opening balance at 1 January 2022	28 203	19 956	339 007	45 829	128 128	24 215	585 338
Additions – purchased	3 682	5 382	49 459	11 610	27 084	3 650	100 867
Additions – contributions in kind	-	-	-	126	74	-	200
Transfers in / (out) and re-categorizations	402	-	3 387	2 486	1 580	(7 453)	402
Assets held for distribution	-	-	(1 932)	(303)	15	109	(2 111)
Disposals ^b	-	-	(35 239)	(4 604)	(1 506)	(779)	(42 128)
Closing balance at 31 December 2022	32 287	25 338	354 682	55 144	155 375	19 742	642 568
Accumulated depreciation							
Opening balance at 1 January 2022	(24 274)	(7 139)	(162 277)	(36 333)	(123 607)	(17 233)	(370 863)
Assets held for distribution	-	-	201	87	(6)	55	337
Disposals ^b	-	-	24 845	3 126	1 154	535	29 660
Depreciation charge for the year	(4 087)	(1 828)	(25 913)	(4 828)	(26 740)	(2 482)	(65 878)
Impairment	-	-	(1 174)	-	-	-	(1 174)
Closing balance at 31 December 2022	(28 361)	(8 967)	(164 318)	(37 948)	(149 199)	(19 125)	(407 918)
Net book value							
Opening balance at 1 January 2022	3 929	12 817	176 730	9 496	4 521	6 982	214 475
Closing balance at 31 December 2022	3 926	16 371	190 364	17 196	6 176	617	234 650

^a Opening balances have been restated to include the original cost and offsetting accumulated depreciation of an equal amount for low value tracked items (LVTIs).

Previously these items were expensed at the time of purchase without being accounted for and managed as fixed assets. 2022 balances also reflect minor reclassifications between asset categories to better reflect the nature of the relevant items. Similarly, assets in transit at year end but already in the control of UNHCR are presented as property plant and equipment, additions in 2023 rather than offset against the related accounts payable balances pending delivery. Assets additions include \$0.4 million of assets in transit that were previously offset against the related accounts payable balance pending delivery. See also note 3.7.

^b Disposals included assets transferred to partners with a net book value of \$9.3 million.

3.6 Intangible assets

Table 3.6.1

Movements in intangible assets, 2023

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2023</i>
Cost			
Opening balance 1 January 2023	-	65 975	65 975
Additions – purchased	-	-	-
Additions – contributions in kind	-	-	-
Disposals	-	(41 255)	(41 255)
Transfers into service	-	-	-
Closing balance 31 December 2023		24 720	24 720
Accumulated amortization			
Opening balance 1 January 2023	-	(41 879)	(41 879)
Disposals	-	36 443	36 443
Amortization charge for the year	-	(18 075)	(18 075)
Closing balance 31 December 2023	-	(23 511)	(23 511)
Net book value			
Opening balance 1 January 2023	-	24 096	24 096
Closing balance 31 December 2023	-	1 209	1 209

Table 3.6.2

Movements in intangible assets, 2022

(Thousands of United States dollars)

	<i>Intangible assets under development</i>	<i>Licences, software and other</i>	<i>Total 2022</i>
Cost			
Opening balance 1 January 2022	-	59 489	59 489
Additions – purchased	4 716	-	4 716
Disposals	-	1 771	1 771
Other adjustments	-	-	-
Transfers into service	(4 716)	4 716	-
Closing balance 31 December 2022	-	65 975	65 975
Accumulated amortization			
Opening balance 1 January 2022	-	(31 032)	(31 032)
Disposals	-	-	-
Amortization charge for the year	-	(10 847)	(10 847)
Closing balance 31 December 2022	-	(41 879)	(41 879)
Net book value			
Opening balance 1 January 2022	-	28 457	28 457
Closing balance 31 December 2022	-	24 096	24 096

127. 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.

128. During 2023 no new capitalization of internally developed intangible assets was recorded as UNHCR continued its transformation away from deployment of on-premises controlled software towards contracted software as a service (SaaS). Consequently, the residual values of legacy on-premises solutions were retired together with the remaining net book value of residual elements of on-premises software that are no longer distinguishable and reliably measurable. Intangible software assets with a total net book value of \$4.8 million were derecognized in 2023.

3.7 Accounts payable and accruals

Table 3.7.1

Analysis of accounts payable and accruals

(Thousands of United States dollars)

	31 December 2022	(restated ^a and reclassified ^b)
	31 December 2023	
Accounts payable		
Commercial and other suppliers	125 711	111 100
Implementing partners	23 868	75 965
United Nations entities	7 913	35 270
Total accounts payable	157 492	222 335
Accruals	444 299	115 988
Total accounts payable and accruals	601 791	338 323

^a The prior period accrual balance has been restated because from 2023, medical premiums paid by participants in the Medical Insurance Plan are no longer presented as a component of other revenue. Instead, to better reflect the nature of the funding provided, participants' premiums increase the accrued liability available to cover unprocessed medical claims. Any excess of this accrued liability upon expiration of the valid claim period is released to reduce the medical insurance-current cost reflected under staff costs (note 6.2). The impact of the change is to reduce other revenue, accruals and the Medical Insurance Plan fund balance by \$4.2 million at 31 December 2022 (see also notes 3.13 and 5.4).

^b Prior period comparative amounts have been reclassified to ensure comparability with 2023 presentation as follows: \$5.4 million of balances previously accounted for as other current liabilities are reclassified to accounts payable to better reflect the nature of the obligations. See also note 3.9. Due to a change in the accounting for assets in transit implemented in 2023, property, plant and equipment additions acquired but still in transit at year end are no longer offset against the related commercial accounts payable balance prior to delivery and installation. Instead, such in-transit items are accounted for as property plant and equipment additions when UNHCR assumes control of the assets. Prior year in-transit asset balances of \$0.4 million have been reclassified to property plant and equipment additions accordingly. See also note 3.5.

129. Accounts payable to commercial and other suppliers relate primarily to amounts due for goods and services for which invoices have been received by UNHCR.

130. Accounts payable to implementing partners represent payments due against agreements with those partners for delivered services.

131. Primarily as a result of delays in processing of reports from partners during the implementation of new systems, accruals of \$444.3 million as at 31 December 2023 include a larger than typical amount of \$291.1 million of estimated expenses of implementing partners not yet reported and processed and therefore not yet offset against the related prepayments made to the partners of \$328.6 million. See note 3.4 and note 6.1.

132. Substantially all the remaining other accruals represent liabilities for the cost of goods and services that have been received or provided to UNHCR during the year and have not been invoiced by suppliers as at the reporting date.

Table 3.7.2

Currency position of accounts payable and accruals

(Thousands of United States dollars)

	<i>Position at 31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
United States dollar	459 933	-	-
Euro	35 672	3 243	(3 567)
Polish Zloty	11 616	1 056	(1 162)
Central African CFA franc	11 024	1 002	(1 102)
Moldovan Leu	10 883	989	(1 088)
Other currencies	72 663	6 606	(7 266)
Total accounts payable and accruals	601 791	12 896	(14 186)

133. Accounts payable and accruals are denominated primarily in United States dollars. Table 3.7.2 indicates the impact on surplus/(deficit) if the dollar strengthens or weakens by 10 per cent, on an asymmetric basis, holding all other variables constant, compared with the exchange rates in effect on 31 December 2023.

3.8 Employee benefits liabilities

Table 3.8.1

Analysis of employee benefits liabilities

(Thousands of United States dollars)

	<i>2023</i>	<i>2022</i>
Employee benefits liabilities		
After-service health insurance	916 438	833 927
Repatriation benefits	143 120	131 577
Annual leave	125 971	120 740
Salaries and other staff benefits	27 801	32 376
Other separation benefits	4 367	2 674
Total employee benefits liabilities	1 217 696	1 121 294
Composition		
Current	175 615	173 574
Non-current	1 042 081	947 720

	2023	2022
Total employee benefits liabilities	1 217 696	1 121 294

134. 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.

135. 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.

136. Salaries and other staff benefits include short-term employee benefits such as salary and wage increments arising from the revision of salary scales, home leave, education grants and other benefits.

Actuarial valuation of post-employment liabilities

137. Liabilities related to after-service health insurance and repatriation benefits are calculated by an independent actuary. A full valuation is generally carried out every second year and a roll forward valuation is performed for the interim period. In 2023 a roll forward valuation was performed. Actuarial assumptions are summarized as follows:

<i>Assumptions used in valuation of post-employment liabilities</i>	
Discount rate ASHI	2.84% (2022: 3.41%) – Projected after-service health insurance (ASHI) cash outflows are discounted at spot rates for high-quality corporate bonds payable in each major currency appropriate for that maturity. The rate disclosed represents a weighted average of discount rates of three major currencies: the United States dollar, the euro and the Swiss franc. The underlying reference discount rates are consistent with those recommended by experts and agreed for use by entities within the United Nations system. The average duration of the obligations is estimated at 24 years for the participants in the United Nations Staff Mutual Insurance Society scheme and at 26 years for participants in the Medical Insurance Plan.
Health-care cost inflation	1.76% (2022: 1.84%) – Weighted average of health-care cost trend rates estimated for United States dollar, euro and Swiss franc claims reimbursement. The underlying currency-specific inflation rate assumptions are consistent with those recommended by experts and agreed for use by entities within the United Nations system.
Health-care cost age factor at age 65	\$4,915 (2022: \$4,915) – The age factor at age 65 indicates the relative cost of health care for an average UNHCR retiree compared with each \$1,000 of cost for a typical staff member in active service. Age factors applied for each age cohort are determined by levels of care consumed and cost differences experienced between the location and the period of active service and of retirement. The majority of after-

Assumptions used in valuation of post-employment liabilities

	service health insurance claim costs are expected to be incurred in Europe, primarily in Swiss francs and euros.
	The combination of health-care cost inflation assumptions and UNHCR-specific age factors lead to after-service health insurance liabilities that are appropriate to the characteristics of the relevant UNHCR population and to patterns of retirees' health-care claims.
Discount rate	4.52% (2022: 5.16%) – The entitlements to repatriation benefits are determined in United States dollars. Each year's projected cash flow is discounted at a spot rate for high-quality corporate bonds payable in United States dollars appropriate for that maturity. The discount rate is the single equivalent rate that produces the same discounted present value. The average duration of the obligations is estimated at 7 years in respect of repatriation grants and at 9 years in respect of travel and shipping costs.
Repatriation & shipment	
Expected rate of salary increase	2.1% (2022: 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)

	2023	2022
Gross accrued liability	1 337 405	1 220 811
Offset from retiree contributions	(420 967)	(386 884)
Net liability as at 31 December	916 438	833 927

138. The accrued liability represents the already earned portion of the present value of benefits that has accrued from the staff member's date of entry on duty into qualifying service until the valuation date. The total period of qualifying service may include non-continuous prior periods. An active staff member's benefit is fully accrued when that staff member has reached the date of full eligibility for after-service benefits. Liabilities are calculated using the projected unit credit method, whereby each participant's benefits under the plan are expensed as they accrue, taking into consideration the plan's benefit allocation formula. As retirees continue to make contributions to the scheme, the gross liability is reduced by the present value of expected post-retirement contributions by participants to reflect the net liability.

139. The following table presents a reconciliation of opening and closing balances of the after-service health insurance liability:

Table 3.8.3

Change in defined benefit obligation

(Thousands of United States dollars)

<i>After-service health insurance</i>	<i>2023</i>	<i>2022</i>
Defined benefit obligation at 1 January	833 927	1 200 464
Service cost for year	35 715	64 403
Interest cost for year	28 262	19 292
Benefits paid (net of participant contributions)	(8 904)	(6 676)
Actuarial (gain)/loss	27 438	(443 556)
Defined benefit obligation at 31 December	916 438	833 927

140. Service and interest costs are recognized as an expense in the statement of financial performance (statement II). The expense recognized in 2023 is \$64.0 million (\$83.7 million in 2022), as detailed in note 6.2.

141. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial loss of \$27.4 million in 2023 is attributable to changes in financial assumptions since 2022, in particular lower discount rates (\$46.9 million), changes to demographic assumptions (\$1.8 million), and offset by the impact of the medical inflation rate (\$21.3 million). The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and liability.

142. UNHCR sets aside funds in respect of after-service health insurance liabilities for past service (3 per cent of the net base salary of all Professional and General Service staff) and for current-year costs (service and interest). The total amount funded as at 31 December 2023 is \$706.6 million (\$584.8 million in 2022) (see also note 3.14). The amounts funded are not held by a trust that is legally separate from UNHCR and are thus not considered to be plan assets for the purpose of IPSAS 39.

Table 3.8.4

Unfunded defined benefit obligations

(Thousands of United States dollars)

<i>After-service health insurance</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Defined benefit obligations	916 438	833 927
Funded	(706 557)	(584 836)
Unfunded defined benefit obligations	209 881	249 091

143. The contribution of UNHCR in 2024 for after-service health insurance is estimated at \$70.2 million.

Sensitivity analysis

144. On the basis of the actuarial assumptions used, the effect of an increase or decrease of one percentage point in the assumed medical cost trend rate and the discount rate on: (a) the aggregate of the current service cost and interest cost for 2023; and (b) the accumulated post-employment benefit obligation as at 31 December 2023 are shown in table 3.8.5.

Table 3.8.5

Sensitivity analysis – after-service health insurance

(Thousands of United States dollars)

	<i>Service cost and interest cost</i>	<i>Accumulated post- employment benefit obligations</i>
Effect of change in key assumptions		
Discount rates:		
One percentage point increase	(14 981)	(190 154)
One percentage point decrease	24 522	259 644
Net periodic post-employment medical costs:		
One percentage point increase	27 043	259 325
One percentage point decrease	(18 637)	(193 208)
Age factor:		
One per cent increase per year after age 65	22 505	273 600
One per cent decrease per year after age 65	(21 345)	(196 768)

Repatriation benefits

145. In line with the Staff Regulations and Rules of the United Nations, staff members in the Professional category and other relevant staff members are entitled to repatriation grants and related relocation costs upon their separation from the organization, based on the number of years of service. The actuarially determined accrued liability for repatriation grant and related travel as at 31 December 2023 was \$143.1 million (\$131.6 million in 2022), as shown in table 3.8.6.

Table 3.8.6

Repatriation accrued liability by type

(Thousands of United States dollars)

	<i>2023</i>	<i>2022</i>
Repatriation grant	87 656	78 738
Travel and shipment	55 464	52 839
Liability as at 31 December	143 120	131 577

146. The accrued liability represents the already earned portion of the present value of repatriation benefits.

147. Table 3.8.7 presents a reconciliation of opening and closing balances of the repatriation liability.

Table 3.8.7

Repatriation liability roll forward

(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>2023</i>	<i>2022</i>
Net obligation at 1 January	131 577	144 640
Service cost for the year	6 230	7 324
Interest cost for the year	6 359	3 333
Benefits paid	(6 049)	(4 867)
Actuarial (gain)/loss	5 002	(18 852)
Total obligation at 31 December	143 120	131 577

148. The aggregate of the current-year service and interest costs is recognized as an expense in the statement of financial performance (statement II). For 2023, the expense recognized was \$12.6 million (\$10.7 million in 2022). The sensitivity analysis below illustrates how small percentage changes in key assumptions affect the expense and the liability.

149. Actuarial gains and losses are recognized as a direct charge or credit to reserves. The net actuarial loss of \$5.0 million in 2023 is attributable to changes in financial assumptions, in particular to the increase in the single equivalent discount rate (\$6.2 million), offset by actuarial gains of \$1.0 million due to changes in other financial assumptions (salary increase rate and inflation rate) and to changes in demographic assumptions (\$0.2 million).

Table 3.8.8
Funding status of repatriation liability

(Thousands of United States dollars)

<i>Repatriation grant and travel</i>	<i>31 December 2023</i>	<i>31 December 2022</i>
Total obligations	143 120	131 577
Funded	(40 734)	(29 430)
Unfunded obligations	102 386	102 147

150. The contribution by UNHCR in 2024 for repatriation benefits is estimated at \$12.3 million.

Sensitivity analysis

151. On the basis of the actuarial assumptions used, the effect of an increase or decrease of one percentage point in the salary inflation and the discount rate on: (a) the aggregate of the current service cost and interest cost for 2023; and (b) the accumulated post-employment benefit obligation as at 31 December 2023 is shown in table 3.8.9.

Table 3.8.9
Sensitivity analysis – repatriation grant and travel

(Thousands of United States dollars)

	<i>Aggregated service cost and interest cost</i>	<i>Accumulated post-employment benefit obligations</i>
Salary inflation:		
One percentage point increase	1 239	7 188
One percentage point decrease	(1 065)	(6 390)
Discount rates:		
One percentage point increase	(1 245)	(10 614)
One percentage point decrease	1 457	12 223

United Nations Joint Staff Pension Fund

152. UNHCR is a member organization participating in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined benefit plan. As specified in article 3(b) of the Regulations

of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

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

154. The Fund's Regulations 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 using the open group aggregate method every two years. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

155. The financial obligation of UNHCR to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently at 7.9 per cent for participants and 15.8 per cent for member organizations) together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Pension Fund. Such deficiency payments are only payable if and when the Assembly has invoked the provision of article 26, following determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization shall contribute to this deficiency an amount proportionate to the total contributions that each paid during the three years preceding the valuation date.

156. The latest actuarial valuation for the Fund was completed as of 31 December 2021, and the valuation as of 31 December 2023 is currently being performed. A roll forward of the participation data as of 31 December 2021 to 31 December 2022 was used by the Fund for its 2022 financial statements.

157. The actuarial valuation as of 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent. The funded ratio was 158.2 per cent when the current system of pension adjustments was not taken into account.

158. After assessing the actuarial sufficiency of the Fund, the Consulting Actuary concluded that there was no requirement, as at 31 December 2021, for deficiency payments under article 26 of the Regulations of the Fund as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as of the valuation date. At the time of reporting, the General Assembly has not invoked the provision of article 26.

159. Should article 26 be invoked due to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, deficiency payments required from each member organization would be based on the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during

the preceding three years (2020, 2021 and 2022) amounted to \$8,937.7 million, of which 8 per cent was contributed by UNHCR.

160. During 2023, contributions paid to the Fund by UNHCR amounted to \$297.7 million (2022: \$267.3 million). Expected contributions due in 2024 are approximately \$310 million.

161. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the United Nations Joint Staff Pension Board based on an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities is included in the amount.

162. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed on its website at www.unjspf.org.

3.9 Other current liabilities

163. Other current liabilities include various payroll withholdings for third parties and contributions received by UNHCR before the agreements with donors were finalized. Upon finalization of the agreements, the amounts involved are recognized as revenue.

Table 3.9

Other current liabilities

(Thousands of United States dollars)

	31 December 2023	31 December 2022 (reclassified ^a)
Other payables	54 425	4 315
Contributions pending agreement	801	998
Total other current liabilities	55 226	5 313

^a Prior period comparative amounts have been reclassified. Specifically, \$5.8 million previously reported under other current liabilities have been reclassified to accounts payable to better reflect the nature of the liabilities. See also note 3.7.

164. Other payables of \$54.4million as at 31 December 2023 include cash received and expected to be passed through to other implementers of UN joint programmes (\$28.1 million), unapplied cash receipts (\$7.9 million), residual balances not yet allocated due to ongoing realignment of account balances following a change in accounting system in 2023 (\$3.6 million), and other miscellaneous payable balances (\$14.8 million). Residual unprocessed clearing balances are expected to be reclassified to accounts payable and accruals or offset against receivables progressively during 2024.

3.10 Provisions

Table 3.10

Provisions

(Thousands of United States dollars)

	31 December 2023	31 December 2022
Type of provision		
Provisions for refunds of contributions	91	–
Legal claims	719	5 526
Other	94	94
Total provisions	903	5 620
Of which:		
Current	810	5 526
Non-current	94	94
Total provisions	903	5 620

165. Provisions for legal claims represent cases where payment is probable, and the amount of the settlement claim can be reliably estimated. UNHCR is in ongoing commercial disputes with a small number of suppliers regarding the quantities delivered and prices charged. These disputes are subject to negotiation and may ultimately be settled through arbitration, with uncertain outcome. The estimated additional cost to settle the agreements in arbitration is included as a legal provision.

3.11 Accumulated fund balances and reserves

Table 3.11

Accumulated fund balances and reserves

(Thousands of United States dollars)

	31 December 2022	Adoption of IPSAS 41	1 January 2023	Surplus/ (deficit)	Transfer in/(out)	31 December 2023
Annual Programme Fund						
Annual Programme Fund net of Reserves	3 792 700	(46 770)	3 745 930	(775 790)	78 178	3 048 318
Operational reserve	10 000	-	10 000	-	-	10 000
Total Annual Programme Fund	3 802 700	(46 770)	3 755 930	(775 790)	78 178	3 058 318
United Nations Regular Budget Fund	42 183	-	42 183	-	4 993	47 175
Junior Professional Officers Fund	9 217	-	9 217	1 362	-	10 579
Total accumulated fund balances and reserves	3 854 100	(46 770)	3 807 330	(774 428)	83 171	3 116 073

166. Fund balances represent the unexpended portion of contributions recorded as revenue that are intended to be utilized in future operational requirements of the organization. The Projects Fund was previously reported separately but is now subsumed within the Annual Programme Fund. Opening balances have been restated accordingly.

167. The operational reserve is utilized to provide assistance to refugees, returnees and displaced and stateless persons for which there is no provision in the programmes approved by the Executive Committee. The reserve is maintained at not less than

\$10 million by replenishments from the Working Capital Fund for Voluntary Contributions.

3.12 Working Capital Fund for Voluntary Contributions

168. The Working Capital Fund for Voluntary Contributions is maintained by savings from prior-year programmes, voluntary contributions and other income. It is utilized to guarantee commitments and payments pending receipt of pledged contributions and in respect of revenue-producing activities of UNHCR.

Table 3.12

Working Capital Fund for Voluntary Contributions

(Thousands of United States dollars)

	31 December 2022	Surplus/ (deficit)	Transfer in/(out)	31 December 2023
Working Capital Fund for Voluntary Contributions	100 000	123 536	(123 536)	100 000

3.13 Medical Insurance Plan

Table 3.13

Changes in Medical Insurance Plan

(Thousands of United States dollars)

	31 December 2022 (restated ^a)	Surplus/ (deficit)	Transfer in/(out)	31 December 2023
Medical Insurance Plan	65 417	8 176	-	73 593

^a As a result of a change in the accounting for the premiums paid by participants in the Medical Insurance Plan, the balance as at 31 December 2022 has been restated. See also note 5.4.

169. The Medical Insurance Plan was established by the General Assembly at its forty-first session in accordance with United Nations staff regulation 6.2. The Plan is maintained by premiums from staff and proportional contributions from UNHCR, as well as by interest revenue. Expenses include claims processed during the year and associated administrative expenses. Coverage under the Plan is limited to General Service staff members and National Professional Officers and eligible retirees originally recruited to designated duty stations away from headquarters.

3.14 Staff Benefits Fund

Table 3.14.1

Changes in Staff Benefits Fund

(Thousands of United States dollars)

	31 December 2022	Surplus/ (deficit)	Actuarial gain/(loss)	Transfer in/(out)	31 December 2023
Staff Benefits Fund	(351 238)	31 046	(32 440)	40 365	(312 267)

Table 3.14.2

Analysis of Staff Benefits Fund

(Thousands of United States dollars)

	31 December 2023			31 December 2022		
	Liabilities	Funding	Net fund balance	Liabilities	Funding	Net fund balance
After-service health insurance	(916 438)	706 557	(209 881)	(833 927)	584 836	(249 091)
Repatriation	(143 120)	40 734	(102 386)	(131 577)	29 430	(102 147)
Annual leave	(125 971)	125 971	-	(120 740)	120 740	-
Other separation benefits	(4 367)	4 367	-	(2 674)	2 674	-
Total	(1 189 896)	877 629	(312 267)	(1 088 918)	737 680	(351 238)

170. The Staff Benefits Fund was established to record transactions relating to staff end-of-service and post-retirement benefits. The financial rules for voluntary funds administered by the High Commissioner require that assets and financial liabilities associated with accrued end-of-service and post-retirement benefits shall be recorded in the Staff Benefits Fund. Therefore, the deficit of funding compared with the related liabilities of \$312.3 million (2022: \$351.2 million) is presented as the net balance (deficit) of the Staff Benefits Fund on the face of the statement of financial position. UNHCR management considers that this presentation represents a necessary departure from the requirements of paragraph 95 of IPSAS 1: Presentation of financial statements, as permitted under exceptional circumstances in paragraph 31 of IPSAS 1. The full information required to comply with the presentation requirements of paragraphs 32 and 95 of IPSAS 1 by separately identifying the funding of \$877.3 million (2022: \$737.7 million) and the related liabilities of \$1,189.9 million (2022: \$1,088.9 million) is disclosed in table 3.14.2. Although the net fund balance represents the deficit of the funding compared with the related liabilities, the funding is not legally protected (“ring-fenced”) to cover the related liabilities.

171. UNHCR charges the current-year cost of the actuarially valued after service health insurance and repatriation post-retirement benefits (service and interest), as well as the catch-up amounts for the two components of post-retirement benefits, to the annual budget for staff costs. The catch up for after service health insurance is calculated as 3 per cent of the net base salary of all Professional and relevant General Service staff and the catch-up for the repatriation liability is a fixed amount of \$3.0 million. The amount of actuarially valued post-retirement benefit liabilities, which consist of after service health insurance and repatriation obligations that are funded as at 31 December 2023 is \$747.3 million (\$614.3 million in 2022) (see also note 3.8 above).

3.15 Self-Financing Activities Fund

172. The Self-Financing Activities Fund was established effective 1 January 2021 as a self-financing fund to manage UNHCR vehicle fleet activities, which were previously managed within the Annual Programme Fund. The Self-Financing Activities Fund is maintained by revenue from inter-fund and charges for vehicle rental and insurance, and income from vehicle auction sales and external vehicle fleet revenue of UN FLEET. Expenses include staff costs, equipment and related supplies, depreciation on vehicles, insurance and other miscellaneous costs.

Table 3.15

Self-Financing Activities Fund

(Thousands of United States dollars)

	<i>31 December 2022</i>	<i>Surplus/ (deficit)</i>	<i>Transfer in/(out)</i>	<i>31 December 2023</i>
Self-Financing Activities Fund	201 246	21 564	-	222 810

173. UN FLEET became operational effective 1 January 2023 within the self-financing activities fund to manage vehicle fleet activities for UN system entities. The initial funding is provided 50% by UNHCR and 50% by the World Food Programme (WFP). The surplus of \$21.6 million includes a net deficit of \$1.2 million for UNHCR's share of the results of UN FLEET for 2023.

174. 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

175. 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

176. 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.

177. UNHCR analyses the concentration of credit risk exposure according to the credit ratings of the term deposits and money market funds it holds. UNHCR applies credit ratings issued by Moody's. Short-term credit ratings are applicable for term deposits, as the durations of all deposits are less than one year. As at 31 December 2023, UNHCR had money market funds amounting to \$5.6 million, which had the highest fund rating issued by S&P Global Ratings of Aaa. As at 31 December 2023, UNHCR had short-term deposits of \$1,195.0 million, which were all rated in the highest short-term rating category of Prime-1.

178. Balances required for day-to-day operational purposes are highly geographically dispersed and maintained only at the level required for operations, thus limiting credit risk for these balances.

179. Credit risk for cash and investments is summarized in table 3.1.4.

Receivables

180. Contributions receivable are composed primarily of voluntary contributions due from Member States. Historically, no material amounts have remained uncollected. The risk of non-collection has been assessed and has been provided for, as indicated in table 3.2.3. Credit risk exposure for contributions receivable is summarized in table 3.2.6.

Liquidity risk

181. UNHCR total cash and cash equivalent holdings amounted to \$1,193.6 million as at 31 December 2023, compared with \$2,307.4 million as at 31 December 2022.

182. UNHCR total cash and cash equivalents are composed of unencumbered operational cash holdings amounting to the equivalent of \$849.1 million and encumbered non-operational cash holdings amounting to \$1,169.3 million (see note 3.1).

183. The average balance of unencumbered operational cash holdings during 2023 represents a coverage of 1.7 months of expenses (2022: 3.1 months).

184. The implementation of UNHCR programme and emergency activities is planned using cash flow forecasting for actual and estimated pledged contributions and special appeals. Liquidity management procedures and monitoring are in place to ensure that sufficient liquid cash holdings are available to meet contractual liabilities as and when due. However, UNHCR is heavily dependent upon cash flows from a small number of major donors. Due to donor restrictions (“earmarking”), not all liquid assets are available to fund general operations in the event of delays in the receipt of funds pledged, declining contributions, or other unanticipated events that negatively impact liquidity. Short-term future charges on net assets include the obligation to liquidate commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered by 31 December (see note 9.2). Typically, approximately 65 per cent of the total of such commitments at year-end are liquidated within the first six months of the subsequent period.

Interest rate risk

185. The organization earns interest revenue derived from surplus balances that it maintains in operational and non-operational cash holdings throughout the year. The implementation of UNHCR programmes and budget is not directly dependent on interest earnings.

186. During the period from 1 January to 31 December 2023, deposits were held primarily in United States dollars. The average rate of return on United States dollar deposits was 5.04 per cent, compared with 1.57 per cent in 2022, reflecting the increasing interest rate trends in this short-term investment segment.

Table 4.1

Deposit trend analysis

	2023	2022
Term deposits		
Average balance (millions of United States dollars)	1 125	1 167
Average interest rate (percentage)	5.04	1.57
Average duration (days)	31	36

Foreign exchange risk

187. The organization is impacted by the foreign exchange risk derived from direct cash flows throughout the year of contributions that are received primarily in 11 major currencies and payments that are made in 109 currencies worldwide. UNHCR manages currency risk at the multi-currency portfolio level by establishing actual and forecasted net cash flow positions by currency pairs that are highly correlated between receiving and paying currencies. Therefore, short-term hedging interventions are limited. UNHCR enters into currency swap arrangements primarily to manage currency and interest risks of holding excess euro balances. Currency swaps are

traded mainly against the United States dollar. In 2023, swap transactions amounted to EUR 94.5 million. In addition, UNHCR conducts a limited number of forward contracts for known Swiss franc payroll requirements. In 2023, CHF 58 million was traded for this purpose. There are no open forward contracts at year-end.

188. 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.

189. 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.

190. UNHCR procures all major convertible currencies centrally at headquarters through standardized electronic trading platforms managing worldwide operational needs in approximately 135 countries and territories of operation.

Sensitivity analysis

191. The major categories of monetary assets are cash and cash equivalents, investments and receivables. The major components by currency of cash and investments and related sensitivities to foreign exchange rate movements as at 31 December 2023 are reflected in table 3.1.3. There is significant foreign exchange risk derived from pledges of voluntary contributions recorded as receivables, specifically in the timing of the receipt of a pledge. Total contributions receivable by currency and related sensitivities to foreign exchange rate movements are reflected in table 3.2.5.

192. Monetary liabilities are primarily reflected in accounts payable. The major currency components of accounts payable and related sensitivities to foreign exchange rate movements are reflected in table 3.7.2. Substantially all accounts receivable are due for settlement within one year, and normally within a shorter period, thus limiting exposure to foreign exchange risk.

Table 4.2

Other monetary assets and liabilities – sensitivity to foreign exchange risk

(Thousands of United States dollars)

<i>Other monetary assets net of other monetary liabilities subject to foreign exchange risk – by currency</i>	<i>31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
Euro	(64 268)	6 427	(5 843)
Polish zloty	(11 961)	1 196	(1 087)
Central African CFA franc	(10 961)	1 096	(996)
Moldovan leu	(10 926)	1 093	(993)
Swiss franc	20 665	(1 879)	22 731
Other currencies	(83 550)	8 355	(7 595)
Total	(161 002)	16 288	6 216

193. The remaining monetary assets and liabilities not included in cash, investments receivables and accounts payable that are subject to foreign exchange rate movements are summarized in table 4.2.

Table 4.3

Net monetary assets and liabilities by currency risk

(Thousands of United States dollars)

<i>Net monetary assets and liabilities by currency</i>	<i>31 December 2023</i>	<i>Strengthening of United States dollar by 10 per cent</i>	<i>Weakening of United States dollar by 10 per cent</i>
United States dollar	1 588 404	-	-
Euro	561 173	(56 117)	51 016
Danish krone	259 527	(25 953)	23 593
Swedish krona	201 407	(20 141)	18 310
Norwegian krone	100 363	(10 036)	9 124
Australian dollar	68 661	(6 866)	6 242
Pound sterling	67 534	(6 753)	6 139
Swiss franc	28 520	(2 852)	2 593
Canadian dollar	24 450	(2 445)	2 223
Afghan afghani	(18 352)	1 668	(1 835)
Ukrainian hryvnia	(20 996)	1 909	(2 100)
Moldovan leu	(28 850)	2 623	(2 885)
Other currencies	22 227	(2 021)	2 223
Total	2 854 070	(126 984)	114 643

194. The largest overall exposures netting off monetary assets against monetary liabilities by currency are summarized in table 4.3.

195. The overall impact on fund balances of asymmetric changes in all monetary assets and liabilities, holding all other variables unchanged, would be to reduce fund balances by \$127.0 million (4.4 per cent) if the United States dollar strengthens by 10 per cent, and to increase fund balances by \$114.6 million (4.0 per cent) if the United States dollar weakens by 10 per cent, compared with the exchange rates in effect as at 31 December 2023, as currency fluctuations of 10 per cent are considered possible as at this date. Year-end exposure to currency risk is considered to be higher than the risk that generally applies during the year, as receivables denominated in currencies other than the United States dollar are higher at year-end than typical average levels applicable during the financial year.

Note 5

Revenue

5.1 Voluntary contributions

Table 5.1.1

Analysis of voluntary contributions

(Thousands of United States dollars)

	<i>2023</i>	<i>2022</i>
Monetary contributions		
Government	3 345 541	4 157 319
Other intergovernmental organizations	249 435	324 160
Private donors	647 454	1 112 417
United Nations system organizations and funds	183 757	180 640

	2023	2022
Subtotal monetary contributions	4 426 187	5 774 537
Refunds to donors and other reductions in prior-year revenue	(367)	(4 091)
Discounting of non-current receivables (IPSAS 41)	(18 540)	-
Net monetary contributions	4 407 280	5 770 445
In-kind contributions		
Government	28 600	31 298
Other intergovernmental organizations	213	759
Private donors	97 520	127 996
United Nations system organizations and funds	959	871
Total in-kind contributions	127 292	160 923
Total voluntary contributions	4 534 572	5 931 369

196. 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.

197. In-kind contributions represent donations of goods and, where material, selected services received that directly support operations. In-kind contributions generally include inventory items to be distributed to beneficiaries and the use of premises and personnel. In-kind contributions in 2023 comprised \$88.8 million for goods (\$125.5 million in 2022) and \$38.5 million for services (\$35.4 million in 2022). Contributions of goods consisted primarily of clothing and footwear (\$74.0 million).

198. The total monetary contributions (before adjustments) of \$4,426.2 million recorded in 2023 are further analysed below by year funded and by type of earmarking:

Table 5.1.2

Monetary contributions recognized by year to which funding relates

(Thousands of United States dollars)

<i>Year funded</i>	<i>2023</i>	<i>Year funded</i>	<i>2022</i>
2023 and earlier	3 259 998	2022 and earlier	4 477 103
Future years		Future years	
2024	912 629	2023	1 042 385
2025	160 799	2024	145 584
2026	63 107	2025	87 630
2027	29 654	2026	21 260
2028	-	2027	574
Subtotal, future years	1 166 189		1 297 433
Total monetary contributions (before adjustments)	4 426 187		5 774 537

199. Revenue from earmarked voluntary contributions is recognized, and receivables are recorded at the time of signature of the relevant agreement.

Table 5.1.3

Monetary contributions by type of earmarking

(Thousands of United States dollars)

	2023	2022
Unearmarked	588 437	777 319
Softly earmarked	694 284	1 619 512
Earmarked	2 264 572	2 428 097
Tightly earmarked	878 894	949 609
Total monetary contributions (before adjustments)	4 426 187	5 774 537

200. Unearmarked contributions are fully flexible in how they can be used. Softly earmarked contributions are specified at a regional level or any combination of one or more of situation, population group, marker, impact, or outcome area. Earmarked contributions are those that are directed to a specific country operation. Tightly earmarked contributions are earmarked at country/operation level, with additional specifications or attributes for any combination of one or more of situation, population group, marker, impact, or outcome area and may restrict usage to one or more countries. As most contributions pending an earmarking decision by the donor are ultimately restricted to a specific country, these contributions are reflected as earmarked.

5.2 United Nations regular budget

Table 5.2

United Nations regular budget

(Thousands of United States dollars)

	2023	2022
United Nations regular budget	49 597	84 378

201. The regular budget is allotted annually by the United Nations to UNHCR and covers staff and other management cost as determined under article 20 of the statute of the Office. Revenue recognized in 2023 is based on the date of receipt of allotment letters and includes the residual allotment for 2023 of \$2.4 million not recognized in the prior year and the initial allotment for 2024 (\$47.2 million).

5.3 Interest revenue

Table 5.3

Interest revenue

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Cash and cash equivalents	71 608	25 110
Receivables amortization	22 375	-
Total interest revenue	93 983	25 110

^a In 2023, funds recovered from implementing partners due to delays in consumption of previously advanced instalment payments are accounted for as a reduction in partnership costs. Previously, the recovered amounts were treated as interest revenue. The recovered amount in 2022 (\$1.0 million) is reclassified from interest revenue to implementing partnership expenses. See also note 6.1.

202. The significant increase in market interest rates during 2023 was the primary reason for the higher interest revenue from cash and cash equivalents reported in the year of \$71.6 million compared with the interest revenue of \$25.1 million recorded in 2022.

203. Interest revenue from receivables amortization primarily represents the impact of the first-time adoption of IPSAS 41: Financial instruments in 2023. Contribution receivable balances at 1 January 2023 were restated at amortized cost thus reducing the amount reported as receivables by \$46.8 million. By the end of 2023 the impact of the amortization of the restated opening receivable balances was \$22.4 million and is included in interest income.

5.4 Other revenue

Table 5.4

Other revenue

(Thousands of United States dollars)

	2023	2022 (restated and reclassified ^a)
Gain on sale of assets	11 702	15 747
Use of guest-house accommodation	4 304	4 828
Use of office space and parking	710	744
UN FLEET revenue	194	-
Miscellaneous revenue	12 254	5 268
Total other revenue	29 164	26 586

^a From 2023, medical premiums paid by participants in the Medical Insurance Plan are no longer presented as a component of other revenue. Instead, to better reflect the nature of the funding provided, participants' premiums increase the accrued liability available to cover unprocessed medical claims. Any excess of this accrued liability upon expiration of the valid claim period is released to reduce the medical insurance-current cost reflected under staff costs (note 6.2). The impact of the change is to reduce other revenue and the Medical Insurance Plan fund balance by \$4.2 million at 31 December 2022 (see also note 3.13). The prior period other revenue has been restated accordingly. Residual minor revenue amounts related to the Medical Insurance Plan (\$0.1 million) previously presented with the restated revenue have been reclassified to miscellaneous revenue in the 2022 comparatives.

Note 6 Expenses

6.1 Implementing partnership expense

204. The total implementing partners' expense incurred during the financial period amounted to \$1,392.5 million (2022: \$1,401.4 million).

Table 6.1

Implementing partnership expense

(Thousands of United States dollars)

	<i>Total expenses</i>	
	2023	2022 <i>(reclassified)</i>
Expenses reported by implementing partners against current-year agreements	1 071 295	1 388 189
Report pending receipt or processing ^a	291 092	-
Distributions of goods to partner and other direct costs ^b	11 811	9 354
Prior-year agreement adjustments ^c	18 271	3 887
Total expense	1 392 469	1 401 430

^a Costs not yet confirmed by receipt and processing of partner reports are accounted for as accrued expenses. Following processing of reports, confirmed expenses are offset against prepayments and accruals are released. At the time of reporting, \$291.1 million of partnership expenses are still under review. The \$163.5 million previously reported for 2022 as reports pending receipt of processing have subsequently all been processed. Therefore, the prior year comparative amounts have been updated accordingly.

^b The costs of partnership arrangements previously reported under other expense categories are reclassified to partnership expenses to better reflect their nature and to consolidate partnership related expenses in one cost category. Specifically, distribution of goods to partners were previously accounted for as equipment and supplies (note 6.7) and banking costs associated with supporting partners were recorded under bank charges (note 6.11). Similarly in 2023, funds recovered from implementing partners due to delays in consumption of previously advanced instalment payments are accounted for as a reduction in partnership costs. Previously, the recovered amounts were presented as interest revenue. Amounts recovered in 2022 of \$1.0 million have been reclassified from interest revenue to implementing partnership expenses to better reflect the nature and purpose of the expense reductions. See also note 5.3.

^c The prior-year agreement adjustments amount of \$18.3 million (2022: \$3.9 million) includes partner expenses incurred in the current year against agreements of previous periods of \$18.1 million (2022: \$4.9 million) and audit recoveries of \$0.2 million (2022: \$0.6 million). 2022 comparatives include partner receivable write-off expenses of \$1.7 million net of reversal of related allowances and other expenses.

205. The amount of \$1,392.5 million reported as implementing partner expenses (2022: \$1,401.4 million) includes \$291.1 million paid to implementing partners in 2023 in respect of which reporting is pending receipt from partners or processing by UNHCR. Due to the impact of the timing of system changes in 2023, this level of unprocessed reports is higher than at the same stage in the prior period (2022: \$163.5 million). The processing delays are not indicative of any underlying change in the quality or reliability of partner reports. The estimated refunds to UNHCR for underspending are recorded within implementing partner receivables and advances (see note 3.4).

206. The total amount of funds recovered from implementing partners in 2023 for unjustified expenses was \$0.6 million (\$1.1 million in 2022). These were determined through UNHCR review of audit reports of activities implemented by partners.

6.2 Salaries and employee benefits

Table 6.2

Salaries and employee benefits

(Thousands of United States dollars)

	<i>2022</i>	
	2023	<i>(reclassified^a)</i>
Salary	835 332	761 206

	2023	2022 (reclassified ^a)
Staff allowances and entitlements	227 543	234 923
Pension	185 323	165 706
After-service health insurance	63 977	83 696
Temporary assistance	106 759	74 888
Medical insurance – current	29 526	40 081
Termination	6 178	7 273
Reimbursement of income tax	5 081	7 037
Evacuation	8 523	4 088
Annual leave	5 231	3 360
Other personnel costs	25 471	29 032
Total salaries and employee benefits	1 498 942	1 411 291

^a Due to the reorganization of the UNHCR chart of accounts in 2023, certain prior year salary and employee benefit costs have been reclassified by sub-category for consistency with current year presentation. Overall salary and employee benefit costs for 2022 are not impacted.

207. Annual leave of \$5.2 million (2022: \$3.4 million) represents the increase in annual leave entitlements accrued by staff during the period.

6.3 Cash assistance to beneficiaries

208. Cash assistance is a means of delivering protection, assistance and services providing recipients with choice in meeting their needs.

Table 6.3

Cash assistance to beneficiaries

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Direct cash assistance	730 824	888 168
Financial Service Provider Charges	11 436	10 628
Total cash assistance to beneficiaries	742 260	898 796

^a In 2023, the related cost of charges by financial service providers of \$11.4 million are reported here to better reflect the total costs of such assistance. The comparable 2022 costs (\$10.6 million) have been reclassified from bank charges accordingly.

209. Cash assistance of \$742.3 million (2022: \$898.8 million) excludes any cash assistance provided through partners, which is included in implementing partnership expense in note 6.1.

6.4 Contractual services

Table 6.4

Contractual services

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Affiliated workforce and individual contractors	178 622	170 419

	2023	2022 (reclassified ^a)
Advertising, marketing and public information	97 986	114 775
Construction contracts	79 951	59 090
Transport, cargo handling and warehouse management	2 013	8 013
Software and data management services	51 984	51 583
Direct services for beneficiaries	28 483	47 822
Professional services	48 804	29 556
Individual consultants	12 180	11 497
Translation, printing and publication	8 759	8 798
Other services	100 552	64 521
Total contractual services	609 333	566 074

^a Due to the reorganization of the UNHCR chart of accounts in 2023, certain prior year costs have been reclassified by sub-category within the category of contractual services for consistency with current year presentation. Similarly, the elements of transport, cargo handling and warehouse management that related to physical goods already distributed are included in the cost of those distributions in 2023. To ensure comparability, 2022 transport, cargo handling and warehouse management costs of \$49.0 million have been reclassified proportionately to supplies and consumables for beneficiaries (\$38.6 million), and to equipment and supplies (\$11.4 million). See also notes 6.5 and 6.7.

210. 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.

211. Direct services for beneficiaries include the provision of medical care, transportation, accommodation, and other services where UNHCR contracts with service providers on behalf of displaced people in lieu of cash assistance to beneficiaries.

212. Software and data management services (previously referred to as data processing) includes costs of service providers incurred in the implementation of cloud-based software-as-a-service solutions which do not meet the criteria for treatment as intangible assets. Distinct subscription costs identified for periods prior to the deployment of software as a service are deferred, accounted for as prepayments, and amortized over the remaining minimum subscription period.

213. Other services include accrued contractual services for various specialized services of a technical, analytical, and operational nature provided through contractual arrangements as well as uninvoiced accrued costs which are not apportioned to specific sub-categories of contractual services in 2023 as it is impractical to do so.

6.5 Supplies and consumables for beneficiaries

Table 6.5

Supplies and consumables for beneficiaries

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Distributed from inventory		
Medical and hygienic supplies and apparel	123 820	218 547

	2023	2022 (reclassified ^a)
Household items	116 666	118 893
Bedding materials	33 066	60 015
Construction materials and related equipment	84 335	60 669
Tents	41 528	28 377
Basic food	3 964	2 316
Other supplies and equipment	(5 356)	-
Total distributed to beneficiaries	398 025	488 817
Other changes in inventory (not yet distributed)	(15 837)	(1 281)
Total supplies and consumables for beneficiaries	382 188	487 536

^aDue to the reorganization of the UNHCR chart of accounts in 2023, certain prior year costs have been reclassified by sub-category within supplies and consumables for beneficiaries for consistency with current year presentation. Similarly, costs for in-bound transport of goods in 2022 of \$38.6 million were not originally allocated to the cost of the related goods and were previously presented as transport, cargo handling and warehouse management cost expense. These costs are reclassified in the 2022 comparative balances for consistency with the 2023 expense presentation, which includes the related in-bound transport costs within supplies and consumables for beneficiaries. See also note 6.4.

214. Other changes in inventory (not yet distributed) reflect primarily changes in the level of allowances for inventories beyond their shelf lives and for in-transit inventory items where delivery is overdue.

6.6 Operating expenses

Table 6.6

Operating expenses

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Rental and maintenance of premises	92 512	87 856
Security	56 853	53 099
Fuel and lubricants	37 990	37 989
Communications	33 497	35 609
Utilities	12 101	16 099
Guest houses	12 172	14 185
Rental and maintenance of vehicles and equipment	12 050	8 498
Insurance	6 434	4 637
Other operating expenses	23 019	17 133
Total operating expenses	286 626	275 105

^aBank charges previously presented under operating expenses are presented under note 6.11.

215. Other operating expenses includes local transport, miscellaneous supplies and materials for various operational needs.

6.7 Equipment and supplies expense

Table 6.7

Equipment and supplies expense

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Equipment and related supplies	72 538	82 672
Software and licences	31 712	10 887
General office supplies	12 786	14 436
Furniture and fixtures	10 160	9 828
Property, plant and equipment transferred	3	(1 348)
Buildings (non-capitalizable)	768	3 947
Vehicles and workshop supplies	5 780	3 963
Alterations and improvements	363	797
Total equipment and supplies	134 111	125 181

^a Beginning in 2023, the cost of equipment and supplies intended for internal consumption is accounted for as a capital purchase and added to fixed assets. The cost of low value tracked items is therefore capitalized and depreciated at 100% in the period of acquisition. Previously such low value items were accounted for as consumable equipment and not included in fixed asset cost or accumulated depreciation during their period of use. For consistency with current year practice, prior year costs incurred for the purchase of low value tracked items have been reclassified from equipment and supplies to depreciation expense (\$30.7 million). See also note 6.10.

Costs for in-bound transport of goods in 2022 of \$11.4 million were not originally allocated to the cost of the related goods, and were previously presented as transport, cargo handling and warehouse management cost expense. These costs are reclassified in the 2022 comparative balances for consistency with the 2023 expense presentation, which includes the related in-bound transport costs within the cost of the relevant categories of equipment and supplies. See note 6.4.

Cost of goods transferred to partners are now presented under partnership expenses. Prior year costs (\$9.3 million) are reclassified for consistency. See note 6.1.

6.8 Travel expenses

216. Travel expenses increased to \$92.2 million in 2023 from \$77.9 million in 2022 owing to various factors, including the elimination of all remaining restrictions related to the COVID-19 pandemic combined with a general increase in airfares charged by airlines and a revision of travel rules to introduce an increased rate of terminal expenses from June 2023.

6.9 Other expenses

Table 6.9

Other expenses

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Seminars and workshops	20 418	18 383
Bad debt expense	462	8 092
Training	7 485	7 983
Miscellaneous expenses	6 600	(4 744)
Other accrued expenses	2 610	-
Total other expenses	37 575	29 714

^a In 2023, bank charges have been reclassified from other expenses to other non-operational expenses for consistency with 2023 presentation. See note 6.11.

217. In 2022, miscellaneous expenses were offset by \$7.6 million in releases of miscellaneous aged liabilities no longer expected to result in an outflow of resources.

218. In 2023, other accrued expenses represent miscellaneous costs for services already received during 2023 which were not invoiced and paid until 2024 but which are correctly reflected as expenses of 2023.

6.10 Depreciation, amortization and impairment

Table 6.10

Depreciation, amortization and impairment

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Depreciation of property, plant and equipment	61 600	65 883
Impairment of property, plant and equipment	4 652	1 174
Amortization of intangible assets	18 075	10 847
Total depreciation and amortization	84 327	77 904

^a Beginning in 2023, the cost of all equipment, including low value tracked items, intended for internal use is accounted for as a capital purchase and added to fixed assets when the relevant items enter into use. The cost of low value tracked items is capitalized and depreciated at 100% in the period of acquisition. Previously such low value items were accounted for as consumable equipment and supplies, but not included in fixed asset cost or accumulated depreciation during their period of use. For consistency with current year practice, prior year costs incurred for the purchase of low value tracked items have been reclassified from equipment and supplies to depreciation expense (\$30.7 million). See also note 6.7.

6.11 Other non-operational expenses

Table 6.11

Other non-operational expenses

(Thousands of United States dollars)

	2023	2022 (reclassified ^a)
Bank charges	10 401	8 588
Provisions and write-offs	47 296	1 183
Total non-operational expenses	59 697	9 770

^a Together with depreciation and foreign exchange gains and losses, costs included in the category are outside the results framework and are therefore presented separately in 2023. In 2023, bank charges have been reclassified from other expenses for consistency with the revised presentation. Similarly, costs associated with the provision of banking support previously accounted for as bank charges are reported under partnership expenses in 2023. Prior year comparative costs have been reclassified accordingly. See notes 6.1 and 6.9.

219. Provisions and write-offs in 2023 represent primarily increases in the impairments of inventory balances (\$45.9 million). See note 3.3.

6.12 Foreign exchange gains and losses

Table 6.12.1

Foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Realized (gain)/loss</i>	<i>Unrealized (gain)/loss</i>	<i>Total 2023</i>	<i>Realized (gain)/loss</i>	<i>Unrealized (gain)/loss</i>	<i>Total 2022</i>
Accounts payable	19 106	(3 536)	15 570	(7 154)	477	(6 677)
Contributions receivable	4 851	(46 210)	(41 358)	55 136	59 467	114 603
Cash and investments	(40 438)	36 050	(4 389)	(40 841)	36 926	(3 915)
Other	18 496	(10 628)	7 869	16 400	2 301	18 701
Total foreign exchange (gains) and losses	2 015	(24 324)	(22 309)	23 541	99 171	122 712

Table 6.12.2

Realized foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Realized (gain)</i>	<i>Realized loss</i>	<i>Total 2023</i>	<i>Realized (gain)</i>	<i>Realized loss</i>	<i>Total 2022</i>
Accounts payable	(6 563)	25 669	19 106	(49 810)	42 656	(7 154)
Contributions receivable	(11 177)	16 028	4 851	(33 792)	88 928	55 136
Cash and investments	(40 438)	-	(40 438)	(108 744)	67 903	(40 841)
Other	(11 007)	29 503	18 496	(7 528)	23 928	16 400
Total realized foreign exchange (gains) and losses	(69 185)	71 200	2 015	(199 874)	223 415	23 541

Table 6.12.3

Unrealized foreign exchange gains and losses

(Thousands of United States dollars)

	<i>Unrealized (gain)</i>	<i>Unrealized loss</i>	<i>Total 2023</i>	<i>Unrealized (gain)</i>	<i>Unrealized loss</i>	<i>Total 2022</i>
Accounts payable	(5 165)	1 629	(3 536)	(497)	974	477
Contributions receivable	(112 958)	66 748	(46 210)	(55 183)	114 649	59 467
Cash and investments	-	36 050	36 050	(21 466)	58 392	36 926
Other	(10 628)	-	(10 628)	(23 742)	26 043	2 301
Total unrealized foreign exchange (gains) and losses	(128 751)	104 427	(24 324)	(100 888)	200 058	99 171

220. In 2023, the unrealized exchange gains of \$24.3 million resulted primarily from the impact of the weakening of the United States dollar against those currencies in which UNHCR held contribution receivable balances as at 31 December 2023.

Note 7**Statement of comparison of budget and actual amounts**

221. As required by IPSAS 24: Presentation of budget information in financial statements, reconciliation is provided between the actual amounts on a comparable basis, as presented in statement V, and the actual amounts, as shown in the financial

accounts, identifying separately any basis, timing and entity differences, which are as follows:

(a) **Basis differences:** the budget of UNHCR is formulated on a modified cash basis and the financial statements are prepared on an accrual basis, thereby giving rise to basis differences;

(b) **Timing differences** occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNHCR for the purpose of comparison between budgets and actual amounts;

(c) **Entity differences** occur when the budget does not include programmes or entities that are part of the main entity for which the financial statements are prepared. In UNHCR, the budget does not include activities relating to the Working Capital Fund for Voluntary Contributions, the Medical Insurance Plan and the Self-Financing Activities Fund;

(d) **Presentation differences** are due to differences in the format and classification schemes adopted for presentation of the statement of financial performance (statement II) and the statement of comparison of budget and actual amounts (statement V). The UNHCR budget in statement V is presented on an operational and geographical basis, while expenses are presented by nature of expense in the statement of financial performance (statement II).

222. A reconciliation between the actual amounts on a comparable basis in the statement of comparison of budget and actual amounts (statement V) and the actual amounts in the statement of financial performance (statement II) for the year ended 31 December 2023 is presented below.

Table 7.1

Statement of comparison of budget expenditure and actual amounts

(Thousands of United States dollars)

	2023
Actual amount on a comparable basis (statement V)	5 166 555
Basis differences	
Commitments & accruals	(34 181)
Employee benefit timing differences	(62 073)
Inventory timing differences	155 583
Fixed asset capitalization & depreciation	25 717
Provisions for liabilities	49 296
Other	72 654
Total basis differences	206 996
Entity differences	
Staff Benefits Fund	5 762
Medical Insurance Plan	9 125
Working Capital Fund for Voluntary Contributions	(84 032)
Self-Financing Activities Fund	(6 984)
Total entity differences	(76 129)
Total expenses	5 297 423

223. Explanations of material differences between the original budget and the final budget and the actual amounts are presented in section D of chapter IV above.

Table 7.2

Reconciliation of balance of available funds with operating cash flow

(Thousands of United States dollars)

	<i>Operating</i>	<i>Investing</i>	<i>Financing</i>	<i>Total 2023</i>
Balance of available funds	549 357	-	-	549 357
Basis differences	(788 693)	(140 361)	-	(929 053)
Entity differences	84 527	42 105	-	126 632
Net increase/(decrease) in cash and cash equivalents from the statement of cash flow	(154 809)	(98 256)	-	(253 064)

Note 8
Segment reporting

8.1 Schedule of asset and liabilities by segment as at 31 December 2023

Table 8.1.1

Schedule of asset and liabilities by geographic segment as at 31 December 2023

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2023</i>
Assets									
Current assets									
Cash and cash equivalents	24 719	79 841	22 520	61 532	62 188	71 982	44 557	1 650 993	2 018 333
Contributions receivable – current	-	-	-	-	-	-	-	1 247 714	1 247 714
Inventories	37 558	71 918	5 552	59 032	34 658	76 406	5 106	134 775	425 005
Other current assets ^a	-	-	-	-	-	-	-	571 574	571 574
Total current assets	62 277	151 760	28 072	120 564	96 846	148 388	49 664	3 605 056	4 262 626
Non-current assets									
Contributions receivable – non-current	-	-	-	-	-	-	-	622 696	622 696
Property, plant and equipment ^a	-	-	-	-	-	-	-	190 196	190 196
Intangible assets	-	-	-	-	-	-	-	1 209	1 209
Total non-current assets	-	-	-	-	-	-	-	814 101	814 101
Total assets	62 277	151 760	28 072	120 564	96 846	148 389	49 664	4 419 157	5 076 727
Liabilities									
Current liabilities									
Accounts payable and accruals ^a	-	-	-	-	-	-	-	601 791	601 791
Deferred revenue	-	-	-	-	-	-	-	901	901
Employee benefits – current	-	-	-	-	-	-	-	175 615	175 615
Other current liabilities	-	-	-	-	-	-	-	55 226	55 226
Provisions	-	-	-	-	-	-	-	810	810
Total current liabilities	-	-	-	-	-	-	-	834 343	834 343
Non-current liabilities									

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2023</i>
Employee benefits – non-current	-	-	-	-	-	-	-	1 042 081	1 042 081
Provisions	-	-	-	-	-	-	-	94	94
Total non-current liabilities	-	-	-	-	-	-	-	1 042 175	1 042 175
Total liabilities	-	-	-	-	-	-	-	1 876 518	1 876 518
Net assets	62 277	151 760	28 072	120 564	96 846	148 389	49 664	2 542 639	3 200 209

^a The 2022, prior year comparative segment schedules include certain asset and liability balances that are presented and split by geographical segment. The segmentation approach followed for these assets and liabilities in 2022 is no longer applicable following the transition to new systems which introduce global consolidation for these assets and liabilities. As such, the assignment of these balances to segments other than the Headquarters/Global/ programmes/other segment has been discontinued in the 2023 presentation. No reclassification of 2022 comparative tables is required as the presentation of each period reflects the change in overall administrative responsibilities from 2022 to 2023.

Table 8.1.2
Schedule of assets and liabilities by geographic segment as at 31 December 2022

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>Total</i>
Assets									
Current assets									
Cash and cash equivalents	19 774	59 768	13 758	51 764	81 115	36 854	16 389	2 028 025	2 307 447
Contributions receivable	–	–	–	–	–	–	–	1 257 631	1 257 631
Inventories	31 938	89 331	7 670	75 599	49 151	122 458	12 774	75 705	464 625
Other current assets	12 774	40 021	4 271	45 111	30 674	63 554	18 829	83 663	298 897
Total current assets	64 487	189 119	25 699	172 474	160 939	222 867	47 992	3 445 023	4 328 600
Non-current assets									
Contributions receivable	–	–	–	–	–	–	–	752 760	752 760
Property, plant and equipment	9 608	33 486	7 582	15 081	11 297	7 493	2 324	147 779	234 650
Intangible assets	–	–	–	29	–	–	–	24 067	24 096
Total non-current assets	9 608	33 486	7 582	15 110	11 297	7 493	2 324	924 606	1 011 506
Total assets	74 094	222 605	33 281	187 584	172 236	230 360	50 317	4 369 629	5 340 106
Liabilities									
Current liabilities									
Accounts payable and accruals	10 038	21 655	3 115	61 880	27 895	60 295	15 198	138 247	338 323
Deferred revenue	–	–	–	–	–	–	–	31	31
Employee benefits	–	–	–	–	–	–	–	173 574	173 574
Other current liabilities	–	–	–	–	–	–	–	5 313	5 313
Provisions	–	–	–	–	–	–	–	5 526	5 526
Total current liabilities	10 038	21 655	3 115	61 880	27 895	60 295	15 198	322 691	522 767
Non-current liabilities									
Employee benefits	–	–	–	–	–	–	–	947 720	947 720
Provisions	–	–	–	–	–	–	–	94	94
Total non-current liabilities	–	–	–	–	–	–	–	947 814	947 814
Total liabilities	10 038	21 655	3 115	61 880	27 895	60 295	15 198	1 270 505	1 470 581
Net assets	64 056	200 950	30 167	125 704	144 341	170 065	35 119	3 099 124	3 869 525

8.2 Schedule of revenue and expenses by segment for the year ended 31 December 2023

Table 8.2.1

Schedule of revenue and expenses by geographic segment as at 31 December 2023

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>31 December 2023</i>
Revenue									
Voluntary contributions	307 793	703 940	113 586	844 087	417 242	624 907	304 567	1 218 450	4 534 572
United Nations regular budget	-	-	-	-	-	-	-	49 597	49 597
Interest revenue	-	-	-	-	-	-	-	93 983	93 983
Other revenue	1 309	3 557	349	1 362	1 206	212	311	20 858	29 164
Total revenue	309 102	707 497	113 935	845 449	418 448	625 119	304 878	1 382 888	4 707 316
Expenses									
Implementing partnership expenses	144 748	337 060	60 086	311 668	205 679	214 138	119 091	-	1 392 469
Salaries and employee benefits	147 287	294 540	84 177	227 095	157 753	170 760	120 052	297 278	1 498 942
Cash assistance to beneficiaries	11 151	19 647	4 911	239 729	70 823	364 923	19 025	12 050	742 260
Contractual services	33 453	75 519	15 079	102 500	53 770	106 987	47 835	174 189	609 333
Supplies and consumables for beneficiaries	22 234	92 599	8 827	56 108	67 083	114 869	12 179	8 289	382 188
Operating expenses	43 181	87 449	15 108	57 822	30 737	35 043	18 723	(1 437)	286 626
Equipment and supplies	10 733	21 987	3 655	19 110	15 918	14 751	10 294	37 662	134 111
Travel expenses	12 652	16 242	5 800	9 572	7 972	12 283	9 246	18 435	92 203
Other expenses	1 767	2 867	953	2 404	2 318	13 756	2 687	10 823	37 575
Depreciation, amortization and impairment	-	-	-	-	-	-	-	84 327	84 327
Other non-operational expenses	-	-	-	-	-	-	-	59 697	59 697
Total expenses before FX	427 206	947 910	198 596	1 026 008	612 053	1 047 510	359 132	701 313	5 319 731
Foreign exchange (gains)/losses	-	-	-	-	-	-	-	(22 309)	(22 309)
Surplus/(deficit) for the year	(118 104)	(240 413)	(84 661)	(180 559)	(193 605)	(422 391)	(54 254)	703 884	(590 106)

Table 8.2.2

Schedule of revenue and expenses by geographic segment as at 31 December 2022

(Thousands of United States dollars)

	<i>West and Central Africa</i>	<i>East Africa, Horn of Africa and Great Lakes Region</i>	<i>Southern Africa</i>	<i>Middle East and North Africa</i>	<i>Asia and the Pacific</i>	<i>Europe</i>	<i>The Americas</i>	<i>Headquarters/ global programmes/ other</i>	<i>Total 2022 (restated and reclassified)</i>
Revenue									
Voluntary contributions	354 088	664 599	155 030	988 841	460 850	821 531	281 988	2 204 442	5 931 369
United Nations regular budget	-	-	-	-	-	-	-	84 378	84 378
Interest revenue	-	-	-	-	-	-	-	25 110	25 110
Other revenue	4 099	9 963	2 032	4 910	3 612	1 483	1 377	(890)	26 586
Total revenue	358 187	674 562	157 062	993 751	464 462	823 014	283 365	2 313 040	6 067 443
Expenses									
Implementing partner expenses	153 680	329 978	66 723	343 151	194 734	140 331	128 546	44 287	1 401 430
Salaries and employee benefits	142 709	278 587	84 246	219 856	147 944	137 701	112 111	288 137	1 411 292
Cash assistance to beneficiaries	9 473	26 557	6 872	302 200	95 258	430 823	13 525	14 088	898 796
Supplies and consumables for beneficiaries	23 754	83 647	18 459	110 464	38 458	53 719	55 028	182 545	566 074
Contractual services	42 458	137 357	15 330	104 038	84 822	75 017	23 289	5 225	487 536
Operating expenses	38 492	88 198	17 257	68 966	29 769	29 659	17 495	(14 731)	275 105
Equipment and supplies	10 661	36 411	7 077	18 025	35 108	25 474	20 277	(27 852)	125 181
Travel expenses	8 642	13 645	5 138	7 816	6 849	13 116	9 342	13 389	77 937
Other expenses	2 518	5 290	495	(48)	1 204	7 962	2 116	10 177	29 714
Depreciation, amortization and impairment	-	-	-	-	-	-	-	77 904	77 904
Other non-operational expenses	-	-	-	-	-	-	-	9 770	9 770
Total expenses before FX	432 387	999 670	221 597	1 174 468	634 146	913 802	381 729	602 939	5 360 738
Foreign exchange (gains)/losses	2 268	3 192	446	423	7 341	15 200	1 615	92 227	122 712
Surplus/(deficit) for the year	(76 468)	(328 300)	(64 981)	(181 140)	(177 025)	(105 988)	(99 979)	1 617 874	583 993

225. Voluntary contributions by region in tables 8.2.1 and 8.2.2 correspond to the earmarking reflected in contribution agreements. Voluntary contributions not earmarked to a specific region are allocated to headquarters/global programmes/other for the purposes of presentation in these tables but are allocated for global spending.

226. Some internal activities lead to accounting transactions that create inter-segment revenue and expense in the financial statements. The organization's share of medical insurance premiums in respect of the Medical Insurance Plan created inter-segment amounts in 2023 of \$16.7 million. Inter-fund charges and revenue in respect of the Self-Financing Activities Fund amounted to \$48.4 million in 2023. They are included under the headquarters/global programmes/other column in tables 8.2.1 and 8.2.2.

8.3 Long-lived asset additions by segment

Table 8.3

Schedule of long-lived asset additions by geographic segment

(Thousands of United States dollars)

	<i>Property, plant and equipment^a</i>	<i>Intangible assets</i>	<i>Total 2023</i>	<i>Property, plant and equipment^a</i>	<i>Intangible assets</i>	<i>Total 2022</i>
West and Central Africa	-	-	-	1 160	-	1 160
East Africa, Horn of Africa and Great Lakes Region	-	-	-	7 382	-	7 382
Southern Africa	-	-	-	1 132	-	1 132
Middle East and North Africa	-	-	-	3 244	-	3 244
Asia and the Pacific	-	-	-	4 729	-	4 729
Europe	-	-	-	4 794	-	4 794
The Americas	-	-	-	3 300	-	3 300
Headquarters/global programmes/other	73 845	-	73 845	42 524	6 487	49 010
Total	73 845	-	73 845	68 265	6 487	74 751

^a The 2022, prior year comparative amounts present long-lived asset additions split by geographical segment. The segmentation approach followed for these assets and liabilities in 2022 is no longer applicable following the transition to new systems which introduce global consolidation for these assets. As such, the assignment of these balances to segments other than the Headquarters/Global/ programmes/other segment has been discontinued in the 2023 presentation. No reclassification of 2022 comparatives is required as the presentation of each period reflects the change in overall administrative responsibilities from 2022 to 2023.

Note 9
Commitments and contingencies

9.1 Leases

Table 9.1
Obligations for operating leases

(Thousands of United States dollars)

	2023	2022
Under 1 year	41 611	42 903
1–5 years	45 907	44 614
Beyond 5 years	6 663	9 511
Total obligations for operating leases	94 181	97 028

227. 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.

228. As at 31 December 2023, UNHCR did not have any finance leases. Operating leases included \$8.5 million of lease obligations without a diplomatic clause.

9.2 Commitments

229. As at 31 December 2023, UNHCR had commitments for the acquisition of goods and services, as well as capital commitments contracted but not delivered, as follows:

Table 9.2
Open commitments

(Thousands of United States dollars)

	2023	2022
Assets and supplies	162 382	206 798
Services	181 527	182 695
Instalments due against partnership agreements	-	101 941
Operating expenses	48 060	47 406
Consultants	17 729	3 500
Other commitments	14 283	8 253
Total open commitments	423 981	550 593

230. The decrease in 2023 of total open commitments is attributable primarily to a reduction in the procurement of medical supplies, equipment, construction contracts and transportation and cargo handling for COVID-19-related needs compared with the levels required in 2022.

231. Multi-year commitments through 2026 of \$41.5 million to secure information technology services are reflected in table 9.2.

232. In 2023 no purchase orders were issued against partner agreements expected to be implemented in 2024 or later.

9.3 Legal or contingent liabilities

233. 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.

234. As at 31 December 2023, there were 29 outstanding cases relating to various claims from staff members or former staff members pending United Nations Dispute Tribunal judgments against UNHCR, with a total potential financial compensation amounting to approximately \$2.7 million.

235. There are 49 unresolved third-party claims against UNHCR. The main third-party claims relate to ongoing disputes with a small number of suppliers regarding the prices and quantities charged. These disputes are subject to negotiation, and some may be settled through arbitration, with uncertain outcome. While the best estimate of additional costs to settle the agreements in arbitration have been accounted for as accruals and legal provisions and disclosed in note 3.10, there are additional third-party claims with maximum expected settlement values of approximately \$3.8 million.

9.4 Contingent assets

236. As a result of political upheavals in Sudan, during 2023 UNHCR experienced looting and other theft of significant fixed assets and inventory. While the final amount is subject to negotiation, insurance claims related to the losses of inventory are expected to result in the recovery of a minimum of approx. \$9.1 million of insurance proceeds. The related fixed assets and inventory have been impaired pending final determination of the level of losses suffered net of insurance claims.

Note 10

Related party disclosures

237. The key management personnel of UNHCR are the High Commissioner, the Deputy High Commissioner, the two Assistant High Commissioners and the Controller, as they have the authority and responsibility for planning, directing and controlling the activities of UNHCR.

Table 10

Related party disclosures

(Thousands of United States dollars)

	<i>Number of posts filled</i>	<i>Compensation and post adjustments</i>	<i>Entitlements</i>	<i>Pension and health plans</i>	<i>Total remuneration</i>	<i>Outstanding advances against entitlements</i>
Key management personnel, 2023	5	1 239	118	330	1 776	40

238. The table above summarizes aggregate remuneration paid to five key management personnel, which includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs and employer pension and current health insurance contributions.

239. 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.

240. UNHCR relies on implementing partnerships and national fundraising partners for its operational activities. The transactions with these parties are at arm's length.

Note 11

Events after the reporting date

241. The reporting date for the Office of the United Nations High Commissioner for Refugees is 31 December of each year.

242. In March 2024, a voluntary separation arrangement was approved for up to 311 staff members based on a package offer to qualifying staff members in November 2023. The arrangement was not finalized by end of 2023 and there is no accrual of the related costs in these financial statements. The total maximum cost of the package offered was approximately \$24.5 million. As not all potential participants are expected to accept the offers the actual cost is expected to be lower, but the final amount has yet to be determined. Most elements of the package will result in cash outflows in 2024.

243. At the date of signing these financial statements, 31 March 2024, other than as referred to above, no material events, favourable or unfavourable, have occurred that would have impacted the present statements.

244. The financial statements were approved on 31 March 2024 and submitted to the Board of Auditors for opinion. No one other than UNHCR has the authority to amend these financial statements.
