United Nations

General Assembly

Distr.: General
3 September 2025

Original: English and French

Executive Committee of the
High Commissioner's Programme
Seventy-sixth session
Geneva, 6–10 October 2025
Item 4 (b) of the provisional agenda
Consideration of reports of the Standing Committee
Programme budgets, management, financial control
and administrative oversight

Financial statements for the year 2024 as contained in the Report of the Board of Auditors to the General Assembly on the audited financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended December 2024
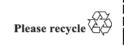
Report of the High Commissioner

Addendum

Key issues and measures taken in response to the Report of the Board of Auditors for 2024*

Summary

     This report provides an overview of the key findings of the United Nations Board of Auditors from its audit of the financial statements of the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees for the year ended 31 December 2024. ** In its 2024 report, the Board issued 33 new recommendations, of which 15 were rated as key, in the following areas: (a) financial management, (b) the transition to a new information technology environment, (c) cooperation with other entities in the United Nations system, and (iv) the management of crises.

     This report also briefly presents the measures proposed by UNHCR to address the key recommendations issued in 2024 and provides updates on the overall status of outstanding recommendations from previous years.

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   * As per the decision contained in paragraph 19 of A/71/12/Add.1, this document is not subject to the standard submission pattern for official documents and is excluded from simultaneous distribution.

   ** A/AC.96/76/4.

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I. Introduction

1. This report provides an overview of the key findings of the United Nations Board of Auditors (the Board) from its audit of the financial statements of the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2024,[1] as well as the measures taken or proposed by UNHCR in response to the key recommendations issued in 2024. It also provides references to the status of recommendations outstanding from prior years, as described in paragraph six and seven below.

2. UNHCR prepared the financial statements for the year ended 31 December 2024 in accordance with the International Public Sector Accounting Standards (IPSAS). The audit was conducted primarily to enable the Board to form an opinion on the financial statements of UNHCR and included a general review of financial systems and internal controls, as well as a test examination of the accounting records and other supporting evidence to the extent that the Board considered it necessary to form an opinion on the financial statements. During the course of the audit, the Board visited UNHCR headquarters in Geneva and its Global Service Centre in Budapest. The Board audited six country offices located in Armenia, Burundi, Mozambique, Myanmar, the Republic of Moldova and Venezuela (Bolivarian Republic of) and three regional bureaux, namely the Regional Bureaux for the Americas; Asia and the Pacific; and Europe.

3. Following its examination, the Board concluded that the financial statements presented fairly, in all material aspects, the financial position of the voluntary funds administered by UNHCR as at 31 December 2024 and its financial performance and cash flows for the year then ended, in accordance with IPSAS.

4. As per United Nations financial regulation 7.5, the Board also reviewed UNHCR operations 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 the organization. In this respect, the Board commented on aspects related to financial management, the transition to a new information technology environment, cooperation with other entities of the United Nations system and the management of crises.

5. The Board reported various findings and issued 33 new recommendations, of which 15 were assessed as key recommendations, in the following areas: (i) finance, (ii) the transition to a new technology environment, (iii) cooperation with other entities in the United Nations system, and (iv) the management of crises.

6. The Board also reviewed the status of the 40 recommendations outstanding from 2023 and previous years, and closed 20 recommendations (50 per cent) which were assessed as implemented or overtaken by events. The remaining 20 recommendations (50 per cent) were considered by the Board as still being in the process of implementation at the time of its review, of which 17 recommendations relate to 2023, 1 recommendation relates to 2022, and 2 recommendations relate to 2021. The Board acknowledged continued progress in implementing these open recommendations.

7. This document outlines the Board's main findings for 2024 and the measures that UNHCR plans to take to address the 15 key recommendations. A matrix containing additional information on measures taken by UNHCR and target dates estimated for the implementation of all 53 outstanding recommendations, comprising the 33 new recommendations issued in 2024 and the 20 recommendations outstanding from previous years, is available on the UNHCR website under documentation for the ninety-fourth meeting of the Standing Committee.

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[1] See A/AC.96/76/4.

II. Key findings relating to the 2024 audit

A. Finance

8.   The Board made observations on aspects related to the financial management of the organization and noted that UNHCR needed to continue refining business processes in the areas described below.

1. Bank and investments processes enhancements

9.   The Board noted that UNHCR introduced long-term investments in its portfolio, necessitating enhanced technical expertise to comply with IPSAS 41 on financial instruments and to ensure accurate financial reporting. While an external consultant was initially engaged to support the accounting team in the process of reporting on such investment in the 2024 financial statements, the Board emphasized the importance of sustaining such expertise over time due to the complexity of recording and reporting on these investments.

10.   While cash management was centralized at headquarters, payment activities remained largely decentralized at the field level. Efforts to automate global payment workflows through the Digital Hub of Treasury Solutions platform began in 2023, though full implementation was not completed by 2024 year-end. The Board observed that updates to bank signatories required more robust internal controls and closer coordination with financial service providers. It also found unresolved discrepancies in bank reconciliations, though the individual amounts were not material.

11.   In light of these findings, the Board recommended (in paragraph 53 of its audit report) that UNHCR strengthen the reconciliation process by enhancing the integration between banking platforms and the cloud-based enterprise resource planning system (known as Cloud ERP), accelerating automation, and prioritizing the prompt resolution of unreconciled transactions, particularly those outstanding for extended periods. Continued technical adjustments were needed to address recurring issues, especially those related to multi-currency transactions and automated revaluations.

12.   In response, UNHCR committed to streamlining the process for updating the bank signatory lists to minimize operational disruptions and ensure compliance with best practices. This includes improving internal systems to better detect and act on changes triggered by staff separations or movements between duty stations and assigning clear focal points for monitoring. Clear timelines and escalation procedures will be established for follow-up with banks, with designated officers tracking progress and the potential use of service level agreements and key performance indicators to ensure timely action from the financial service providers. To improve bank reconciliations, UNHCR will enhance the integration between banking platforms and the Cloud ERP system, and pilot solutions that are able to recognize and automatically reconcile some types of transactions (such as bank fees), with human intervention required only on those items that could not be handled automatically.

2. Refinement of employee benefits liabilities valuation methods

13.   The Board noted that, prior to 2024, UNHCR outsourced workers' compensation coverage (known as Appendix D insurance) to the United Nations Secretariat in exchange for a premium equal to 1 per cent of annual net salary costs. In 2024, UNHCR transitioned to self-insuring this risk, establishing a provision that was reclassified during the audit as an employee benefits liability. The Board also observed that a significant number of employees had accrued more than 30 days of unused leave. This pattern indicated that many staff members were deferring leave until separation, with annual leave earned in one year often not used by the end of the following year, despite being classified as short-term liability.

14.   To ensure compliance with IPSAS 39 on employee benefits, the Board recommended (in paragraph 66 of its audit report) that UNHCR conduct a statistical analysis of leave consumption patterns to determine the actual timing of settlement and, where applicable, discount the long-term portion of the annual leave liability.

15.   To implement the Board's recommendations, UNHCR will explore in 2025 transitional options for assessing the leave-taking pattern of staff, although the ongoing restructuring of the workforce may limit the reliability of long-term estimates for such a liability. Given this uncertainty, classifying annual leave liabilities as fully short-term in the 2025 financial statements may be the most prudent, cost-effective and materially-appropriate approach. In respect of the liability related to Appendix D, UNHCR will collaborate with actuaries and its internal claims team to develop a cost-effective method for estimating self-insured liabilities under IPSAS 39, using available data, until sufficient claims history enables more accurate projections.

3.   Refinement of the inventories impairment method

16.   A review of inventory impairment revealed an overstatement of the impairment amount, estimated by UNHCR at $5.3 million for 2024, primarily due to the double-counting of certain impaired items.

17.   The Board recommended (in paragraph 74 of its audit report) that UNHCR strengthen its impairment assessment methodology and establish a formal annual review of inventory shelf lives to ensure accurate and consistent recognition of impairment indicators in the financial statements. In response, UNHCR will strengthen the process by formally documenting it and ensuring that it is consistently applied for year-end closure in 2025 and onwards.

4.   Refinement of the accounts payable posting processes

18.   The Board noted that the inaccurate coding of purchase order details led to the misclassification of expenses, with $68 million (28 per cent of the initial balance reviewed) initially posted incorrectly under the account category of "other expense". A late adjustment was required to reclassify these costs, highlighting the need to strengthen the expense posting process. Additionally, purchase orders for goods delivered in late 2024 were incorrectly recorded in January 2025 due to delayed receipting in the Cloud ERP system. This resulted in a $2.3 million understatement of 2024 accrued payables. The Board considered that this highlights weaknesses in the year-end monitoring of goods in transit and the inconsistent application of ownership transfer dates in inventory accounting.

19.   To address these issues, the Board recommended (in paragraph 81 of its report) that UNHCR improve controls to ensure expenses are correctly classified in the general ledger based on their nature. The Board assessed that this could be achieved by more rigorous enforcement of procurement category mapping when staff create purchase orders, by the provision of targeted training, and through the adaptation of systems to automatically detect and reject inconsistent postings. In response, UNHCR implemented an automated preventive control in the second quarter of 2025 to detect and reject inconsistent posting for the procurement of services, and a similar control is expected to be rolled out later in 2025 for the procurement of goods.

B.   The transition to a new information technologies environment

20.   The Board noted that the objective of the UNHCR business transformation programme was to enhance operational agility, efficiency, and collaboration. Initiated in 2020, the programme replaced outdated information technology systems with an integrated multi-cloud strategy. Implementation occurred between 2021 and 2023, with the final components deployed by early 2024, marking the transition to business as usual. To support a smooth rollout, UNHCR engaged several external service providers.

21.   The Board observed that the introduction of new systems under the business transformation programme significantly transformed UNHCR operations by driving automation and improving data management across the organization. However, challenges persisted in user experience, cybersecurity, data governance and system integration. Performance issues during peak reporting periods raised concerns about system reliability.

22. The Board recommended (in paragraph 119 of its audit report) that senior management establish a robust governance framework, including standard operating procedures, to track ongoing issues and actions taken, and to support coordinated decision-making. The Board further recommended (in paragraph 142 of its audit report) that UNHCR ensure that operational errors relating to data integration within the business transformation programme are addressed and that active collaboration between technical and business units is in place, with an aim to reduce disruptions and ensure continuity.

23. In response, UNHCR has established a governance structure to support ongoing collaboration between business units and the Division of Information Systems and Telecommunications, which is led by the business relationship manager and supported by service delivery managers, business analysts and managed service providers. This structure ensures regular performance monitoring and issue resolution through documented monthly meetings. The role of business relationship officer as acting coordinator will be formally integrated in the information technology structure as of 1 October 2025 to ensure continuity, coordination and service quality.

24. The Board further noted that financially, the business transformation programme represented a major investment, with costs rising from an initial estimate of $75.6 million to $118.9 million. Although the programme successfully modernized the information technology infrastructure of UNHCR, the transition to a fully stable operational state was ongoing. The Board recommended UNHCR (in paragraph 108 of its audit report) to monitor the evolution of direct running costs of the information technology systems, particularly those linked to the multi-cloud strategy, to ensure that supplier dependencies remain cost-effective and controlled.

25. In response, UNHCR committed to continue tracking thoroughly the costs of information technology services. Such costs are regularly reviewed during meetings between the Division of Information Systems and Telecommunications and other stakeholder divisions, as well as during the reviews specific to the annual budgeting cycle.

C. Cooperation with other entities of the United Nations system

26. The Board noted that UNHCR remained committed to diversify partnerships and reinforce collaboration across the humanitarian, development and peace nexus. There were, however, different key areas of improvement in the cooperation within the United Nations system, as described below.

1. Strategic partnerships

27. The Board confirmed that, at the country level, UNHCR is a member of the United Nations Country Team and participates actively in the working groups established to implement the outcomes and outputs defined by the United Nations Sustainable Development Cooperation Framework. The Board observed that UNHCR had not fully aligned its country-level strategic planning with the planning cycles of the United Nations Sustainable Development Cooperation Framework, which was considered by the Board as essential for effective inter-agency coordination. While the United Nations common pledge 2.0 promotes refugee inclusion and inter-agency cooperation, monitoring of its implementation remained limited, with interim reporting on the progress achieved expected in June 2025. The Board also noted that UNHCR operations lacked the tools to measure the financial and administrative impact of their participation in United Nations Country Team working groups and to identify overlaps in inter-agency roles that could be streamlined.

28. The Board, therefore, recommended (in paragraph 153 of its audit report) that UNHCR align its country strategic planning with the planning of the United Nations Sustainable Development Cooperation Framework.

29. In response, UNHCR will continue to strengthen its engagement in the United Nations Sustainable Development Cooperation Framework process, aligning its planning with shared priorities and timelines where host governments support its involvement. As a humanitarian organization, UNHCR contributes to the United Nations Sustainable

Development Cooperation Framework through consultations with the United Nations Country Team and host governments, ensuring that its programming is appropriately reflected so that forcibly displaced and stateless people are not left behind. UNHCR issued interim internal guidance on the United Nations Sustainable Development Cooperation Framework, which will be updated once the United Nations Development Coordination Office finalizes its revised guidance building on the findings of a recent system-wide evaluation.

2. United Nations bilateral partnerships

30. The Board noted that UNHCR partnerships with United Nations entities were governed by various documents, some of which had not been updated or reconfirmed, raising questions about the validity of the agreements. Overlapping frameworks created uncertainty and complexity for staff, and global inter-agency agreements were not widely known or commonly used at the field level. Cooperation with the International Organization for Migration (IOM) remained critical in 2024, with the two organizations recognizing challenges in the implementation of the 2022 framework of engagement, with further clarity needed and particularly with regard to roles, responsibilities and consistent terminology. The Board highlighted the need for clearer mandates and definitions in both internal and external communications.

31. The Board recommended (in paragraph 182 of its audit report) that UNHCR make partnership frameworks easily accessible and consider developing a standard operating procedure that outlines key provisions on inter-agency partnership that reflect shared priorities.

32. In response, the UNHCR Partnership Coordination Service, in collaboration with inter-agency teams, will maintain an up-to-date, accessible repository of partnership frameworks to ensure awareness and use across all levels. It will also explore standardizing key provisions through stakeholder consultations. Furthermore, regular information exchange with IOM will continue, with ongoing guidance provided to field operations.

3. Inter-agency coordination in refugee and non-refugee responses

33. The Board welcomed the update of the refugee coordination model as a positive step, while noting that the newly-introduced inter-agency scale-up protocol must be carefully aligned with emergency declaration procedures. It also observed that inter-agency evaluations of refugee responses were not conducted regularly, with only one inter-agency evaluation commissioned in the past five years. While UNHCR made significant efforts to streamline the protection cluster in 2023–2024, implementation was only partial. The IOM–UNHCR coordinated response to the Venezuela situation was highlighted as a promising model for addressing mixed population movements.

34. The Board recommended (in the paragraph 246 of its audit report) that UNHCR leverage its protection leadership and role within the Inter-Agency Standing Committee to accelerate, in coordination with the Emergency Relief Coordinator, the decision-making process on protection cluster reforms.

35. In response, UNHCR suggested concrete measures to the Emergency Relief Coordinator to simplify the protection cluster. Such measures were examined and endorsed by the Inter-Agency Standing Committee Principals in June 2025, with the recommendation that there would be only one protection cluster without any Areas of Responsibility.

4. Administrative and technical United Nations cooperation

36. The Board noted that the joint World Food Programme–UNHCR UN FLEET project, a collaborative fleet leasing service for the United Nations system, was a strong example of inter-agency cooperation aimed at improving cost-effectiveness in operational support. However, its implementation was time-consuming and had yet to deliver the expected gains.

37. The Board, therefore, recommended (in paragraph 274 of its audit report) that UNHCR begin leasing vehicles from UN FLEET. In response, UNHCR plans to start leasing vehicles in 2026, in line with the UN FLEET strategy.

D. Management of crises

38. The Board observed that since 2017, UNHCR has declared 215 emergencies across various crisis types. The number of declared emergencies has significantly increased in recent years, with an average of about 30 emergencies per year since 2021. In 2024 alone, UNHCR faced 43 emergencies in 29 countries, where UNHCR prioritized the delivery of essential services to vulnerable populations, including the distribution of core relief items, shelter assistance and the creation of livelihood opportunities. The audit reviewed the crisis management process, spanning from preparedness to declaration and the closure phase. According to the Board, overall, UNHCR properly carried out the emergency responses in most cases and benefited from adapted mechanisms and processes, with some areas of improvement as highlighted below.

1. Crisis anticipation and emergency preparedness

39. The Board noted that although UNHCR updated its policy on emergency preparedness and response in early 2023, several high-risk countries had yet to develop the required contingency plans. The policy relies on multiple interrelated documents that must remain consistent.

40. The Board recommended (in paragraph 310 of its audit report) that UNHCR, at both headquarters and regional levels, ensure all high-risk countries prepare and regularly update contingency plans, provide clear justification where plans are absent due to specific constraints, and consider developing plans for medium-risk countries, as encouraged by the policy.

41. In response, while noting that most high-risk countries have contingency plans, UNHCR will update and strengthen two key standard operating procedures. The standard operating procedure for contingency planning will place greater emphasis on preparedness, clarify roles and responsibilities across countries, regions and headquarters, and define clearer timelines. The standard operating procedure for countries at high risk of new or escalating emergencies will be revised to include an escalation process for non-compliance.

2. Response tools and solutions

42. The Board observed that emergency declarations across the three levels of severity were generally well monitored, though some internal delays could be avoided. Field missions revealed no major inconsistencies in emergency supply procedures, and relationships with host country authorities were effectively managed, despite challenges with de facto authorities. It further noted that, while cash assistance was often preferred by beneficiaries, UNHCR continued to rely on in-kind aid during the initial emergency phase. The Board noted that cash preparedness could be strengthened through earlier engagement with financial service providers.

43. The Board recommended (in paragraph 321 of its audit report) that UNHCR include a defined time frame for internal decision-making in its emergency declaration procedures.

44. In response, UNHCR will revise its standard operating procedure on emergency declarations to outline clear steps and timelines for this process.

3. Financial and human resources mobilization

45. The Board noted that the financial resource mobilization was well monitored, supported by a dedicated budget line for the rapid release of emergency funds (primarily from a $56.6 million operational reserve in 2024). Emergency workforce needs were met through various mechanisms, including internal rosters, deployment at short notice of staff from the Division of Emergency, Security and Supply at headquarters to provide technical support, temporary assignments for internal staff or affiliate workforce and contracting with standby partners. While overall mobilization was effective, the Board highlighted challenges in managing the post-emergency transition period, particularly slow downsizing of the country office and gaps indevelopment-focused skillsets.

46.   The Board recommended (in paragraph 380 of its audit report) that UNHCR conduct a mandatory, comprehensive staffing review for country operations, where emergency declarations have ended, before the start of the next implementation year.

47.   In response, UNHCR confirmed that country operations currently lead post-emergency staffing reviews with support from the Division of Human Resources when needed. Going forward, these reviews will continue under country office leadership, supported by the regional bureaux and guided by instructions issued by headquarters. UNHCR will also develop clear guidelines outlining timing, roles and responsibilities, which will be integrated in broader transition planning, from emergency to regular operations.

4.   Emergency exit and post-emergency phase

48.   The Board considered the real-time reviews conducted three months into level three emergencies, as well as the evaluations of such emergencies, to be good practices. However, it noted that few level one or level two emergencies had undergone similar reviews, therefore limiting broader learning. The Board also observed that although UNHCR had identified challenges in transitioning from emergency to regular operations, no formal guidance had yet been developed to address such challenges.

49.   The Board recommended (in paragraph 412 of its audit report) that UNHCR draft guidance on the transition from an emergency to a regular operational response. In response, UNHCR confirmed that such guidance will be developed in the coming months.

III.   Conclusion

50.   UNHCR reiterates its commitment to addressing the recommendations made by the Board and to further improving procedures, systems and controls in order to mitigate the identified risks. The Board's findings and recommendations will help the organization prioritize its resources in those areas where it is most exposed to risk.

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