



# UN Board of Auditors

## Presentation

# UNHCR Audit Report 2019

16 September 2020



# 2019 BoA Presentation (content)

- **Audit opinion**
- **Highlights from the Financial report**
- **Board of Auditors findings**
- **Follow-up and statistics of previous recommendations**
- **New recommendations by subjects**
- **Highlights from 2019 recommendations**



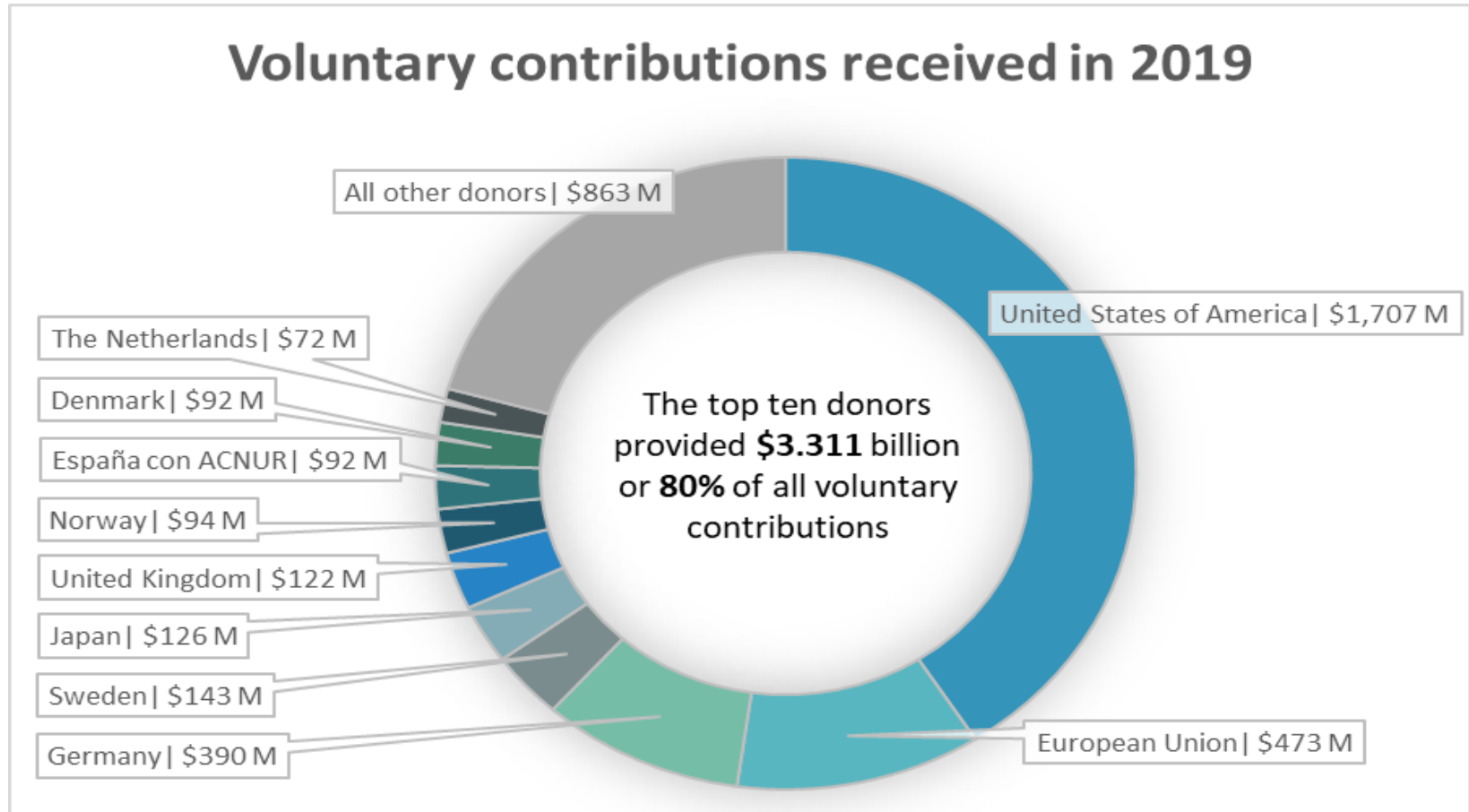
# 2019 Audit Opinion

- The Board issued an **unqualified opinion**.
- The financial statements **present fairly, in all material respects**, the financial position of the voluntary funds administered by UNHCR as at 31 December 2019 and its financial performance and cash flows for the year then ended in accordance with IPSAS.
- The Board included an **emphasis of matter** in the audit opinion to draw the attention to Note 12 of the financial statements due to potential impacts of the **coronavirus pandemic** and Note 6.1 due to **outstanding independent third-party audits** of implementing partner projects.



# 2019 Audit Opinion

## Donor structure



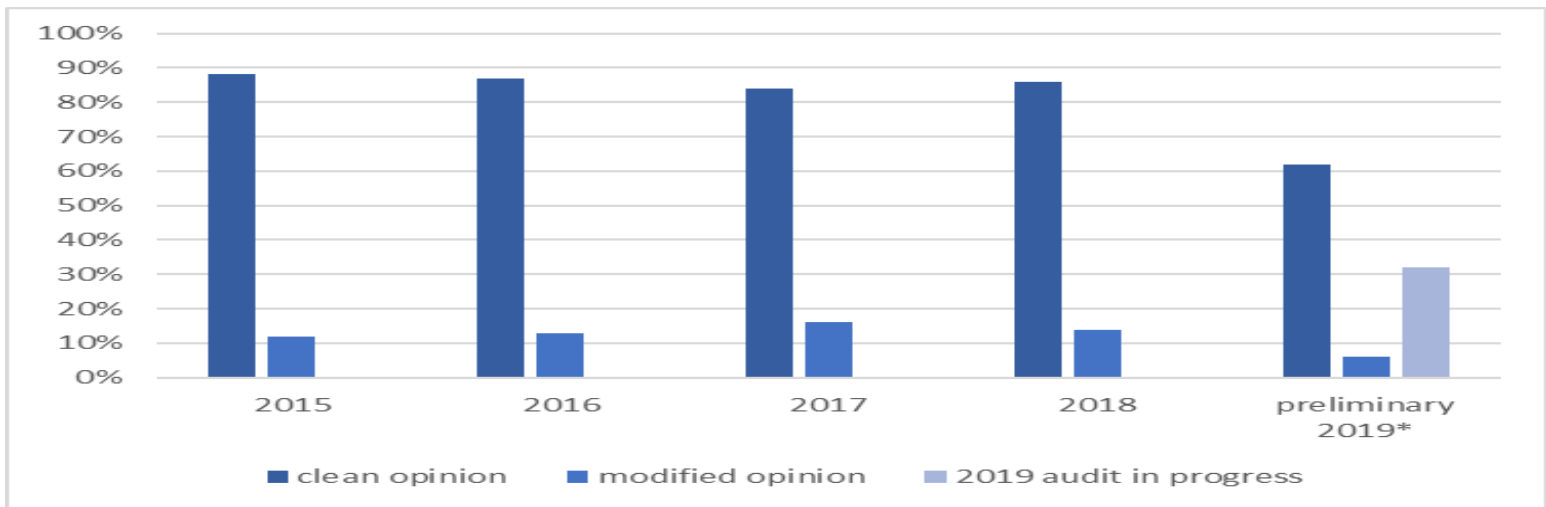
Source: UNHCR; <https://www.unhcr.org/donors.html> as at 31 December 2019



# 2019 Audit Opinion

## Outstanding independent third-party audits

- As at 30 June 2020, third-party audit certificates for implementing partner covering \$450.9 million (44.1 per cent) were outstanding.
- Past four years average of modified audit certificates was 13.8 per cent with an average financial impact of \$7.4 million.
- 2019 preliminary status of modified opinions is in line with past trend:



\* Status as at 30 July 2020 (including draft opinions)



# 2019 Audit Opinion

## Outstanding independent third-party audits

- The Board performed **alternative audit procedures** and obtained confirmation by country operations of the monitoring and oversight activities carried out over the year, in particular the Board
  - Reviewed and discussed on **analytical** basis high risk projects, projects with low implementation rates, high ineligible amounts, unsatisfactory internal controls etc. (detailed questionnaires);
  - Requested **additional documentation** on sample basis;
  - Obtained **interim assessment** from external auditors (draft reports);
  - Held **weekly meetings** to closely monitor the progress of the verification exercises and conducted inquiries of management.
- **Appropriate audit evidence** to assess the risk of material misstatements for projects with outstanding external audit certificates was **obtained**.



# 2019 Financial Report - Highlights

## Financial performance

- Revenue: \$4.2 billion (2018: \$4.3 billion)
- Expenses: \$4.3 billion (2018: \$4.1 billion)
- Deficit: \$0.1 billion (2018: \$0.3 billion surplus)

## Financial position

- Fund balances/  
reserves: \$2.1 billion (2018: 2.3 billion)
- Current ratio: 7.9 per cent (2018: 9.5 per cent)



# 2019 Financial Report - Highlights

## Selected key indicators

	2015	2016	2017	2018	2019
<b>Number of PoCs (million)</b>	64.0	67.7	71.4	74.8	86.5
<i>Increase in number of PoCs</i>		5.8%	5.5%	4.8%	15.6%
<b>Global Needs Assessment (billion US\$)</b>	7.23	7.51	7.96	8.22	8.64
<i>Increase in global needs</i>		3.9%	6.0%	3.3%	5.1%
<b>Number of UNHCR staff</b>	9,727	10,828	11,621	12,240	12,833
<i>Increase in number of staff</i>		11.3%	7.3%	5.3%	4.8%
<b>Number of UNHCR offices</b>	454	470	468	469	507
<i>Increase in number of offices</i>		3.5%	-0.4%	0.2%	8.1%





# 2019 BoA Findings

## Identified misstatements

- adjusted: \$10.2 million
- unadjusted: \$5.5 million

## Accounts preparation

- **High quality** of accounts preparation and management's review processes



# Previous recommendations

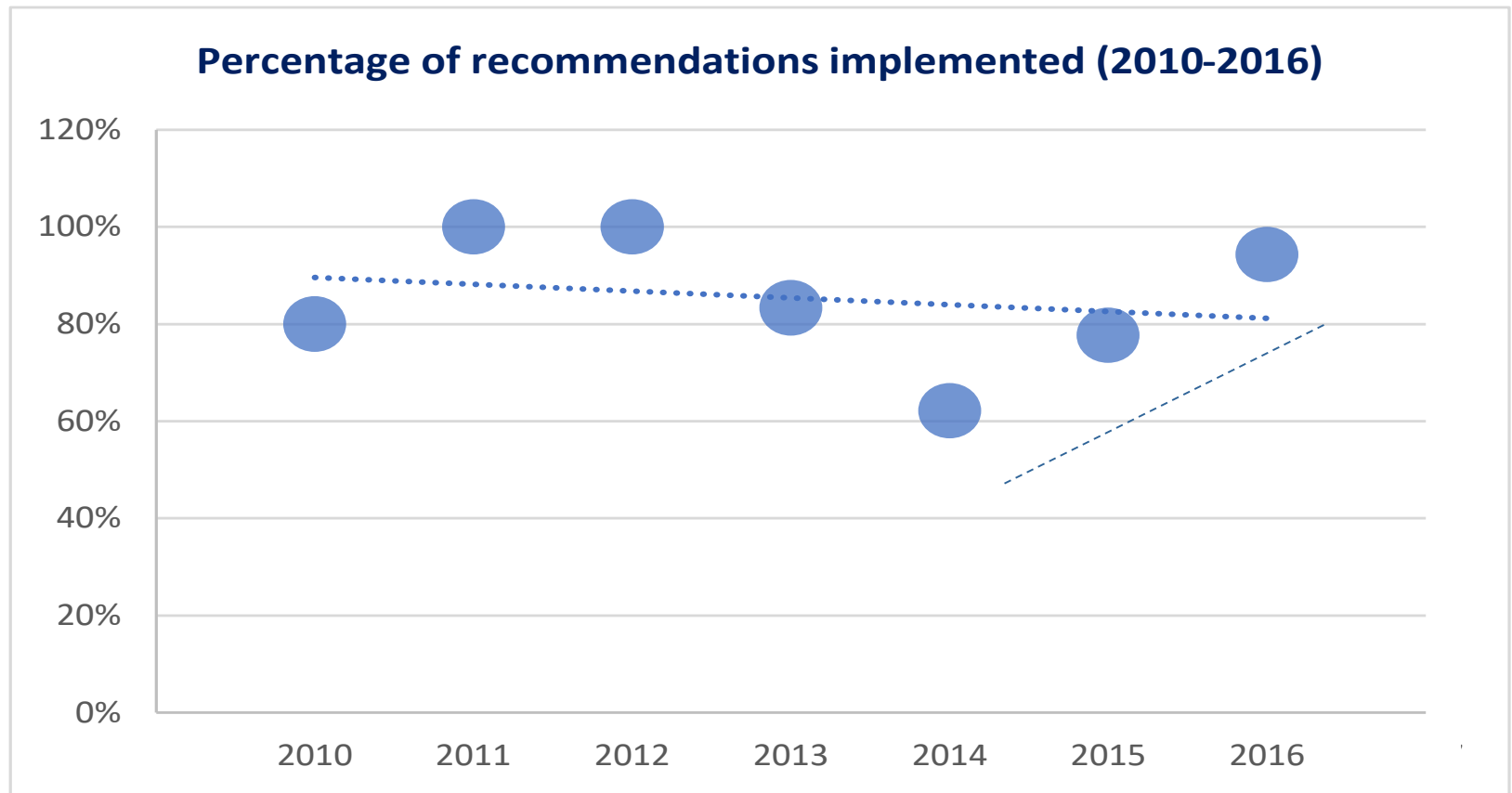
## Prior years' recommendations

Year	Total	Fully implemented	Under implementation	Not implemented	Overtaken by events
2014	1	0	0	0	1
2015	1	0	0	0	1
2016	3	2	0	0	1
2017	27	14	13	0	0
2018	64	32	30	2	0
<b>Total</b>	<b>96</b>	<b>48</b>	<b>43</b>	<b>2</b>	<b>3</b>
<i>Percentage</i>	<i>100%</i>	<i>50%</i>	<i>45%</i>	<i>2%</i>	<i>3%</i>



# Previous recommendations

## Trend of implementation rate from 2010-2016

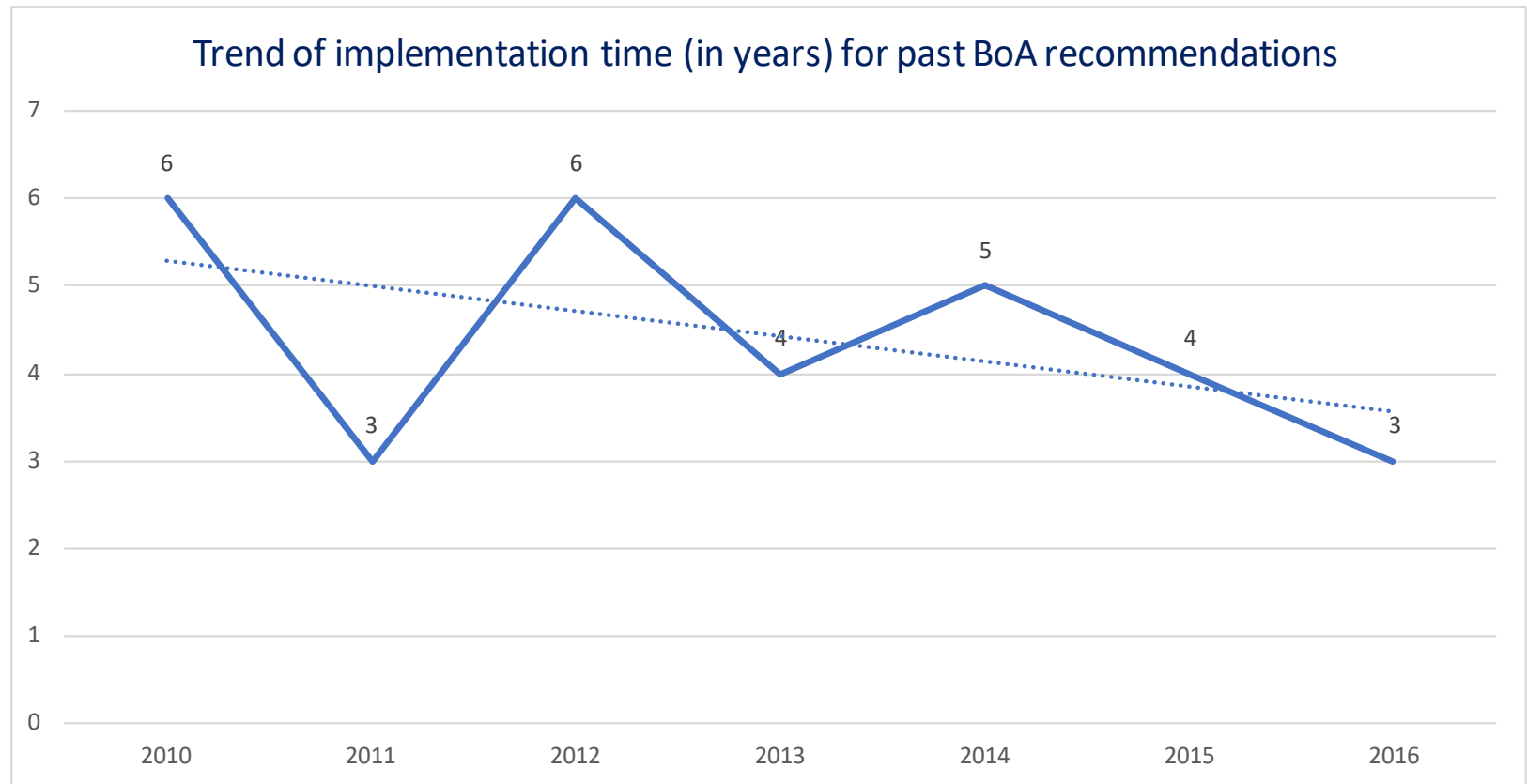


Note: The implementation of 2017 and 2018 recommendations is still ongoing; therefore, an implementation rate is not yet available.



# Previous recommendations

## Implementation time of prior recommendations





Note: The implementation of 2017 and 2018 recommendations is still ongoing; therefore, an implementation time is not yet available.



# 2019 BoA recommendations

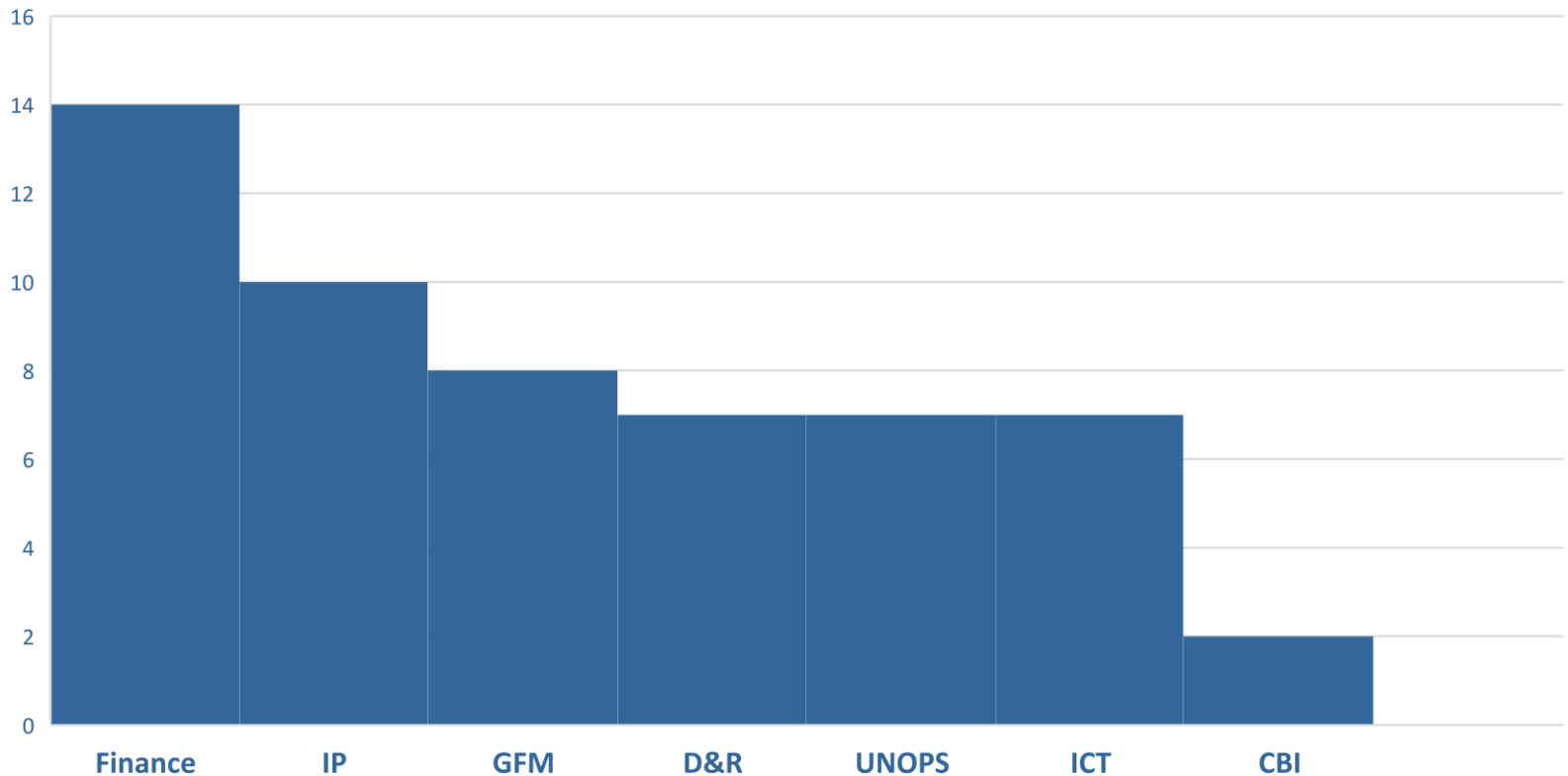
## BoA Summary of new recommendations

- For 2019 the Board has made **55 new** recommendations
- UNHCR agreed with 50 recommendations,  
that is **91 per cent**  **UNHCR agreed**
- UNHCR disagreed with 5 recommendations,  
that is **9 per cent**  **UNHCR disagreed**



# 2019 BoA recommendations

## Number of recommendations by subject

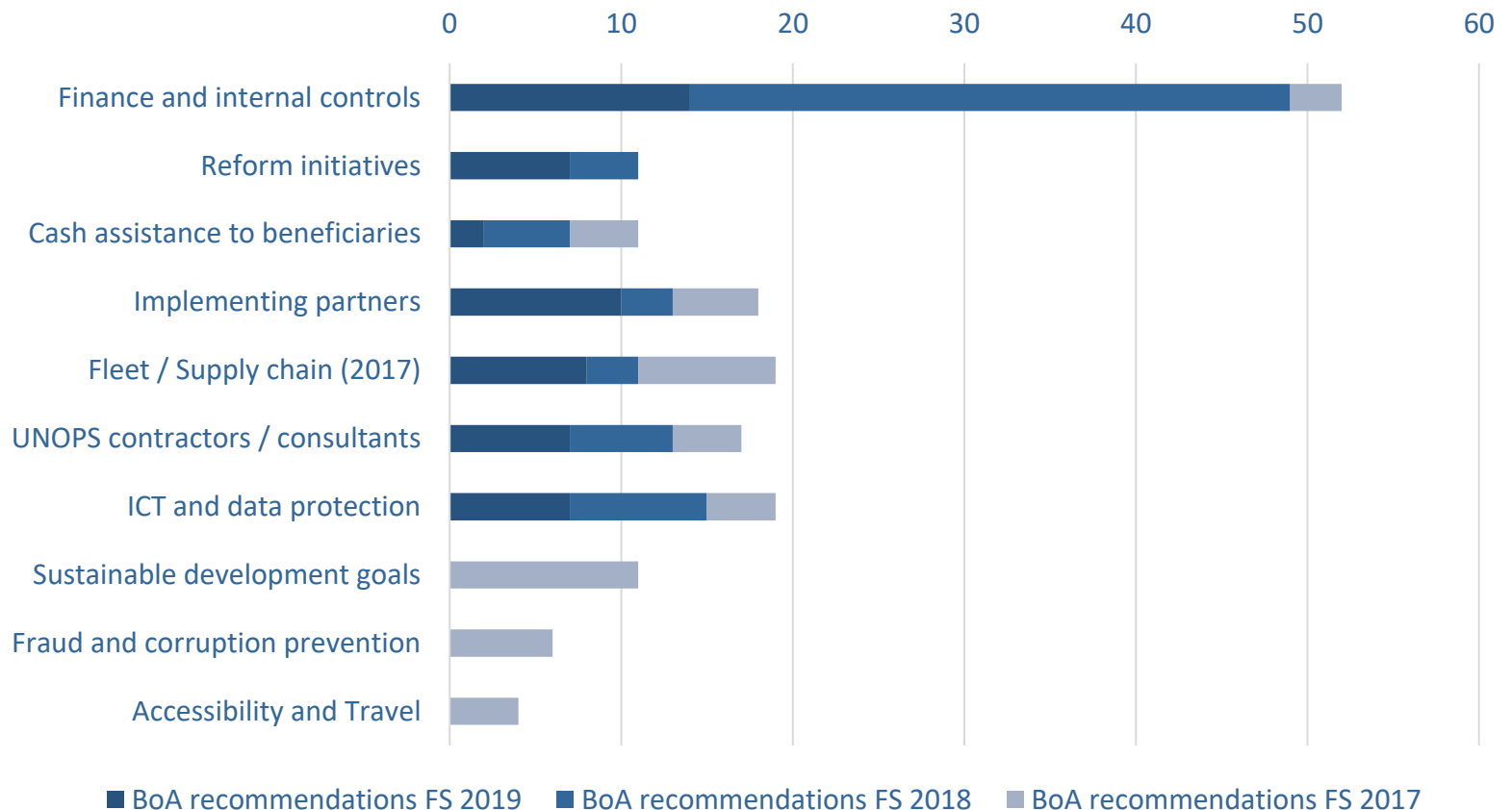




# BoA recommendations 2017-2019

## Subject of recommendations

Comparison of recommendations 2017-2019 by subject





# 2019 BoA Highlights of recommendations



## Highlights of selected recommendations

- Finance
- Decentralization & Regionalization (D&R)
- Implementing partners (IP)
- Global Fleet Management (GFM)
- UNOPS assignment and expenditures procedures (UNOPS)
- Deployment registration system / data protection (ICT)





# Highlights of recommendations - Finance

Finding	Recommendation	UNHCR
<p><b>After-service health insurance liability</b></p> <ul style="list-style-type: none"><li>UNHCR does not have well suited data of the service and health care plan participation history of its staff members. Improved estimation data lead to an increase of the 2019 liabilities by \$21.1 million. The accuracy of the underlying data needs to be further improved.</li></ul>	<ul style="list-style-type: none"><li><b>Obtain and maintain accurate data</b> on the service and health-care plan participation history of its staff members, utilizing enhanced data fields.</li></ul>	 <b>agreed</b>
<p><b>Inventory process</b></p> <ul style="list-style-type: none"><li>The whereabouts of inventories of \$16.6 million were unclear; items had been processed entirely outside MSRP; the physical verification process did not reveal discrepancies.</li></ul>	<ul style="list-style-type: none"><li><b>Implement additional measures</b> to ensure the functioning of key controls in the inventory process.</li></ul>	 <b>disagreed</b>



# Highlights of recommendations - Finance

## Finding

### Delegation of authorities

- The update process for roles in the procure-to-pay process and the review of conflicting roles is manual, cumbersome and bears the risk of errors.

## Recommendation





- Explore the option of an **electronic delegation of authority process that is an integral part of the enterprise resource planning system** and encompasses all modules of the system.

## UNHCR

✓ agreed





# Highlights of recommendations – D&R

Finding	Recommendation	UNHCR
<ul style="list-style-type: none"><li>The same areas of responsibility were assigned to the <b>country operations</b> as first line of defence and the <b>bureaux</b> as second line of defence.</li></ul>	<ul style="list-style-type: none"><li>Make the <b>distinction between the first and the second line of defence</b> clearer in the new framework of roles, accountabilities and authorities.</li></ul>	 agreed
<ul style="list-style-type: none"><li>The same functions were assigned to <b>bureaux and divisions</b> as second line of defence.</li></ul>	<ul style="list-style-type: none"><li>Clearly distinguish between the <b>roles and responsibilities of the regional bureaux and the divisions</b> as the second line of defence.</li></ul>	 agreed
<ul style="list-style-type: none"><li>The <b>concrete roles and responsibilities of new positions</b> in the regional bureaux were not clearly and transparently defined.</li></ul>	<ul style="list-style-type: none"><li><b>Define</b> the roles and responsibilities of <b>new functions</b> in the regional bureaux in a clear and transparent manner.</li></ul>	 agreed
<ul style="list-style-type: none"><li>UNHCR has only monitored progress aspects of the decentralization and regionalization so far and has not yet started with the <b>overall evaluation</b>.</li></ul>	<ul style="list-style-type: none"><li><b>Measure, track and evaluate</b> the intended <b>results and the costs</b> of the decentralization and regionalization.</li></ul>	 agreed





# Highlights of recommendations – IP

Finding	Recommendation	UNHCR
<ul style="list-style-type: none"><li>A number of country operations had not determined and quantified whether <b>procurement by a partner</b> would have a <b>comparative advantage</b>. When partners were not exempted from <b>VAT</b> the country operations did not quantify the financial impact either.</li></ul>	<ul style="list-style-type: none"><li>Review the <b>templates for entrusting procurement to implementing partners</b> in order to ensure a meaningful analysis, a <b>calculation of costs</b> and a <b>justified decision</b>. (This should include a calculation of costs whenever a partner is not exempted from value added tax).</li></ul>	 agreed
<ul style="list-style-type: none"><li>The Board found weaknesses in the definition of impact indicators, associated outputs and performance indicators in the <b>project description of partnership agreements</b>. For example, a baseline and/or target was not always defined.</li></ul>	<ul style="list-style-type: none"><li>Analyse the <b>weaknesses</b> in the selection / definition of <b>impact indicators, outputs and performance indicators</b> and explore options for better supporting country operations in preparing partnership agreements.</li></ul>	 agreed






# Highlights of recommendations – GFM

Finding	Recommendation	UNHCR
<ul style="list-style-type: none"><li>The global fleet management unit depends on a cumbersome and unpredictable budget allocation process with uncertain liquidity. Between 2016 and 2019 GFM was deprived of almost \$9 million of entitled income. This <b>negatively impacted the efficiency</b> of the unit.</li></ul>	<ul style="list-style-type: none"><li><b>Simplify the budget process</b> for global fleet management and comply with the relevant internal instruction and the global fleet central funding element, according to which rental and sales revenues generated by the global fleet should be made available to the self-sustained global fleet management fund.</li></ul>	 <b>agreed</b>
<ul style="list-style-type: none"><li>There is <b>no reliable needs assessment</b> for light vehicles and an uneconomically high number of 700 vehicles with tied-up funds of \$15 million was stored at the vehicle hub in Thailand.</li></ul>	<ul style="list-style-type: none"><li>Take measures to <b>establish a meaningful overall procurement plan</b> for light vehicles based on the operations' needs assessment and disposal plan.</li></ul>	 <b>agreed</b>





# Highlights of recommendations – UNOPS

Finding	Recommendation	UNHCR
<ul style="list-style-type: none"><li>UNHCR did not record all the necessary data in the enterprise resource planning system for <b>reporting and monitoring of UNOPS agreements</b>.</li></ul>	<ul style="list-style-type: none"><li><b>Establish compliance controls</b> to ensure that its staff enters reliable data into the enterprise resource planning system to report on and monitor UNOPS agreements and to prevent any inconsistency of data.</li></ul>	 agreed
<ul style="list-style-type: none"><li>UNHCR committed budget in excess of the actually charged UNOPS invoices and did not always <b>liquidate the remaining balance</b> after settling the invoices.</li></ul>	<ul style="list-style-type: none"><li>Take measures to <b>ensure regular monitoring</b> of and follow-up to the budget committed in the purchase orders, in particular to release the remaining balances of the purchase orders once the UNOPS invoices have been settled.</li></ul>	 agreed
<ul style="list-style-type: none"><li>The UNHCR rules do not define sufficient <b>preconditions for using UNOPS contractors</b>.</li></ul>	<ul style="list-style-type: none"><li><b>Define</b> more clearly under which circumstances the <b>use of UNOPS contractors</b> is considered to be <b>reasonable and necessary</b> for its operations.</li></ul>	 agreed



# Highlights of recommendations – ICT

Finding	Recommendation	UNHCR
<ul style="list-style-type: none"><li>In the process of the roll out of a new registration system (<b>proGres v4</b>) UNHCR has no overview of operations that deleted/or not deleted the data of the previous system.</li></ul>	<ul style="list-style-type: none"><li>Continue to build on the provisional guidance on decommissioning the previous registration system and establish a process of confirming the decommissioning to headquarters so that <b>headquarters can monitor the decommissioning process.</b></li></ul>	 agreed
<ul style="list-style-type: none"><li>UNHCR has not yet conducted a <b>data protection impact assessment</b> of the system proGres v4.</li></ul>	<ul style="list-style-type: none"><li><b>Carry out a data protection impact assessment</b> at an early stage to ensure that the results of that assessment can be taken into account when planning and designing new ICT systems and enhancing major features of prevailing ICT systems, and to ensure systems interoperability for the processing of personal data.</li></ul>	 agreed



# 2019 BoA recommendations

UNHCR disagreed with 5 technical financial recommendations: **X UNHCR disagreed**

- (1) The Board recommends that UNHCR transparently disclose the reasons for deviations from the harmonized assumptions of the Task Force on Accounting Standards to enhance comparability concerning the valuation of after-service health insurance liabilities.
- (2) The Board recommends that UNHCR clearly distinguish between assets deployed for the first time and redeployed assets and ensure that assets which are not in use for a substantial period of time are not subject to depreciation.
- (3) The Board recommends that UNHCR implement additional measures to ensure the functioning of key controls in the inventory process. UNHCR should opt for end-to-end process documentation and audit-proof functionalities in the selection process of a new enterprise resource planning system.
- (4) The Board recommends that UNHCR implement additional year-end accrual review procedures such as expenditure versus accrual ratio analysis, analysis of the average period of outstanding purchase orders, goods and services receipt and invoice receipt to ensure accurate accrual accounting at year-end. Country operations with implausible accrual figures should be systematically reviewed.
- (5) The Board recommends that UNHCR consider including vehicles that are on stock for more than 12 months in the year-end impairment exercise.





# UN Board of Auditors

Thank you.