United Nations

Voluntary funds administered by the United Nations High Commissioner for Refugees

Audited financial statements

for the year ended 31 December 1999 and

Report of the Board of Auditors

General Assembly

Official Records
Fifty-fifth session
Supplement No. 5E (A/55/5/Add.5)

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Note

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

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Contents

Abbreviations

CIS	Commonwealth of Independent States
CPA	Comprehensive Plan of Action for Indo-Chinese Refugees
DAFI	Deutsch Akademishe Fluchtling Initiative
UNBRO	United Nations Border Relief Organization
UNDP	United Nations Development Programme
UNCTAD	United Nations Conference on Trade and Development
UNEP	United Nations Environment Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNMO	United Nations Monitoring Organization
UNV	United Nations Volunteers
WFP	World Food Programme
WHO	World Health Organization
WMO	World Meteorological Organization

Letters of transmittal

29 February 2000

Sir,

Pursuant to the Financial Rules for Voluntary Funds administered by my office, I have the honour to submit the accounts for the year 1999, certified as correct and approved in accordance with paragraph 11.4 of those Rules.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Sadako **Ogata**

The Chairman of the Board of Auditors
United Nations
New York

30 June 2000

Sir,

I have the honour to transmit to you the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the financial period ended 31 December 1999, which were submitted by the High Commissioner. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General of the United Kingdom
of Great Britain and Northern Ireland and
Chairman United Nations Board of Auditors

The President of the General Assembly of the United Nations
New York

Chapter I

Report of the Board of Auditors

Summary

The Board of Auditors has audited the operations of the voluntary funds administered by the United Nations High Commissioner for Refugees at the headquarters of the Office of the United Nations High Commissioner for Refugees (UNHCR) at Geneva and at its offices in Algeria, Argentina, Colombia, Ghana, the Netherlands, Nigeria, Poland, Romania and Uganda for the period from 1 January to 31 December 1999. The Board has also validated the financial statements of the voluntary funds administered by the High Commissioner.

The Board's main findings are as follows:

(a) Non-expendable property disclosed in the notes to the financial statements did not include comprehensive inventory lists of UNHCR headquarters and its field offices. Accordingly, the historical costs disclosed did not reflect the full and accurate valuation of non-expendable property;

(b) Thirteen implementing partners had a total of some $8.2 million long outstanding advances. Eight of those implementing partners had not submitted the final sub-project monitoring reports, which delayed closure of the projects;

(c) The requirement for implementing partners to submit audit certificates, although not fully complied with, had reached the target of 70 per cent set by the Administration;

(d) Decline in voluntary contributions from donor countries poses a liquidity risk for UNHCR;

(e) There was inadequate segregation of functions in the field offices to ensure checks and balances of responsibility;

(f) The MINDER asset tracking system had been inadequate to capture accurate and complete non-expendable property databases and had failed to provide support to the effective tracking and decentralized management of UNHCR assets.

The Board recommended that the Administration should:

(a) Improve presentation of non-expendable property in the notes to the financial statements;

(b) Ensure that the reconciliation of account balances between headquarters and field offices is regularly done;

(c) Strengthen programme planning to allow proper monitoring and evaluation of programme implementation, and strictly adhere to the United Nations accounting standards.

A list of the Board's main recommendations is included in paragraph 13 of the report.

A. Introduction

1. In accordance with paragraph 22 of the statute of the Office of the United Nations High Commissioner for Refugees (UNHCR), the Board of Auditors has audited the financial statements of the voluntary funds administered by the High Commissioner for the period from 1 January to 31 December 1999. The audit was conducted in accordance with article XII of the Financial Regulations of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that the Board plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the period from 1 January to 31 December 1999 had been incurred for the purposes approved by the Executive Committee of UNHCR, whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements of the voluntary funds administered by the High Commissioner for Refugees presented fairly the financial position as at 31 December 1999. 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 the Board considered necessary to form an opinion on the financial statements.

3. The audit was carried out at UNHCR headquarters in Geneva and at its offices in Algeria, Argentina, Colombia, Ghana, the Netherlands, Nigeria, Poland, Romania and Uganda.

4. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under article 12.5 of the Financial Regulations of the United Nations. The Board has also reviewed the adequacy of internal controls and the efficiency of procedures relating to cash, assets, procurement and human resource management, as well as the management of projects. The Board also undertook special reviews of the implementation by UNHCR of projects funded by the United Nations Fund for International Partnerships.

5. The Board continued its practice of reporting the results of specific audits through audit observations and management letters containing audit findings and recommendations to the Administration. The practice allowed an ongoing dialogue with the Administration on audit issues.

6. The present report covers matters which, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board’s observations on all matters contained in the present report were communicated to UNHCR. The Administration has confirmed the facts on which the Board’s observations and conclusions are based and has provided explanations and answers to the Board’s queries. The report covers the audit of both financial and management issues.

7. The Board’s main recommendations are contained in paragraph 13. The detailed findings are discussed in paragraphs 15 to 80.

1. Previous recommendations not fully implemented

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has highlighted separately below those recommendations which have not been fully implemented by UNHCR. The Board has indicated the current stages of implementation in the present report. The years shown in parentheses, starting from 1995, are those in which the Board recommended that the Administration:

(a) Ensure timely signing of sub-agreements with implementing partners (1995, 1996 and 1998);

(b) Make the preparation of work plans an integral part of the project planning and monitoring process (1995, 1996 and 1998).

9. Concerning recommendation 8 (a) above, the Board still noted delays in the signing of the sub-agreements with the implementing partners. The Administration informed the Board that the situation would continue to prevail in view of the operational environment in which UNHCR has to work, and that there were no additional measures that UNHCR could take. The Board would still urge that UNHCR field offices ensure that sub-agreements are concluded before the commencement of the project.

10. On recommendation 8 (b), the Board noted that UNHCR programme planning in the field offices still needed to be improved. The Board's audit revealed that a number of field offices had not prepared the work plans as required. The Administration informed the Board that in most cases, work plans were prepared when the programme planner felt the need for one. A revision to the UNHCR Manual was under preparation to address the issue.

11. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made by the Board in its report for the year ended 31 December 1998. Details of actions taken and the comments of the Board are outlined in the annex to the present report.

12. The General Assembly, in its resolution 52/212 B of 31 March 1998, accepted the recommendations of the Board of Auditors for improving implementation of its recommendations approved by the General Assembly subject to the provisions contained in the resolution. The Board's proposals, which were transmitted to the General Assembly in a note by the Secretary-General (A/52/753, annex), included the following elements:

(a) The need for specification of timetables for the implementation of recommendations;

(b) The disclosure of office-holders to be held accountable;

(c) The establishment of an effective mechanism to strengthen oversight in regard to the implementation of audit recommendations. Such a mechanism could be in the form of either a special committee comprising senior officials or a focal point for audit and oversight matters.

The Board noted that UNHCR had generally complied with those requirements.

2. Main recommendations

13. The Board recommends that the Administration:

(a) Ensure complete and accurate disclosure of non-expendable property; urge all field offices to submit updated inventory databases; prepare the comprehensive database for non-expendable property based on the same cut-off date; and conduct on a regular basis physical stock checks (para. 21);

(b) Reconcile the unliquidated obligations reported at year-end by field offices to ensure that there is no overstatement of expenditures in the accounts (para. 24);

(c) Urge implementing partners with long outstanding advances to submit their final sub-project monitoring reports and facilitate the clearance of projects (para. 32);

(d) Continue to make efforts to encourage implementing partners to submit the required audit certificates (para. 37);

(e) Immediately address the roll-out of the new asset management system for effective management and control of assets (para. 60);

(f) Require all field offices to provide adequate segregation of incompatible functions, such as accounting, procurement and cashiering, to ensure strong checks and balances of responsibility and to adhere strictly to the United Nations Financial Regulations and Rules (para. 66);

(g) Streamline project implementation by ensuring that release of instalments to implementing partners are on time (not delayed nor in advance), that sub-project monitoring reports are regularly submitted by the field offices to allow headquarters to assess the progress of the ongoing projects. The Board also suggests that field offices closely monitor the performance of implementing partners to provide them with adequate information to determine whether those implementing partners should be considered for future UNHCR projects (para. 77);

14. The Board's other recommendations are presented in paragraphs 27, 44, 62, 64, 70, 72, 74 and 79.

B. Financial issues

1. Financial statements

United Nations accounting standards

15. The Board assessed the extent to which the UNHCR financial statements for the year ended 31 December 1999 conformed to the United Nations accounting standards. The review indicated that the presentation of the financial statements was generally consistent with the standards, except that further work was needed to bring the financial statements fully in line with those standards, particularly on the fair presentation of the non-expendable property disclosed in the notes to the statements.

Valuation of the non-expendable property disclosed in the notes to the financial statements

16. The computerized MINDER asset management system of UNHCR was developed to record all headquarters and field office assets, from source of purchase to destination. The field offices are required to submit each quarter an updated diskette containing an inventory of their assets for consolidation into the headquarters inventory. The system, as envisaged, should allow headquarters a transparent and accurate view of all inventory control activities undertaken by each field office. Field offices are required to conduct a physical check once a year of all assets having an original acquisition value above $500. During the physical check, an appropriate record should be made of all inactive equipment that may be unserviceable, under repair or surplus.

17. In accordance with United Nations accounting policies, non-expendable property is not included in the fixed assets, but is charged as expenditure to the appropriate project in the year of acquisition. The value of non-expendable property is maintained in the MINDER asset tracking system and their historical cost disclosed in the notes to the financial statements.

18. The Board noted that the valuation of the non-expendable property disclosed in the notes to financial statements did not reflect its total value, since not all acquisitions of assets were consolidated in the MINDER database.

19. As at 31 December 1999, non-expendable property in 24 field offices had not been consolidated in the MINDER database. Non-expendable property databases consolidated in the MINDER did not have the same cut-off dates of submission of inventory databases. Items with acquisition costs of $1,500 and below, valued at $18,287,196, were still included in the non-expendable property disclosed in the financial statements, thus resulting in an overstatement of historical cost presented. Moreover, physical existence of non-expendable property reported by field offices as at 31 December 1999 could not be validated, as the physical check of non-expendable property had not been undertaken.

20. The Board is concerned that the non-expendable property disclosed in the notes to the financial statements did not include the comprehensive inventory of all non-expendable property of UNHCR headquarters and field offices. The Board's further comments on this issue are contained in the present report.

21. **The Board recommends that UNHCR:**

(a) Ensure complete and accurate disclosure of non-expendable property;

(b) Urge all field offices to submit updated inventory databases on non-expendable property;

(c) Prepare the consolidated database for non-expendable property based on the same cut-off date;

(d) Urge all field offices to conduct on a regular basis physical stock checks.

22. The Board's other comments in respect of the non-expendable property are contained in paragraphs 45 to 60 of the present report.

Unliquidated obligations

23. The Board reviewed a sample of 43 projects with unliquidated obligations of $49,780,362 representing 30 per cent of the total unliquidated obligations of $165,339,574 as at 31 December 1999. The review disclosed that 27 of these sampled projects, with a total value of $29,983,869 of unliquidated obligations, had been overstated by $6,629,293. The list of unliquidated obligations submitted by field offices disclosed that only 77 per cent, or $23,354,576, were reported, hence the overstatement of $6,629,293. The Board is concerned that this situation not only overstated the unliquidated obligations but also reduced the reserves and fund balances by the same amount, because when expenditures are overstated, as in this case, the net amount that goes into the reserves and fund balances is reduced.

24. **The Board recommends that UNHCR headquarters ensure that reconciliation is made of unliquidated obligations recorded in the headquarters pertaining to the field offices to determine the extent of the overstatement and accordingly make the necessary adjustments in the accounts.**

Provision for uncollected contributions

25. The Board noted that UNHCR had cancelled an average of $11,717,431 in contributions receivable, or an equivalent 4.98 per cent, over a five-year period. The Board was concerned that these cancellations would indicate that not all voluntary contributions receivable are eventually collected in subsequent years and that there had been no provision made for uncollected contributions.

26. The Administration informed the Board that the level of cancellations of uncollectible contributions had been low and that providing for non-collectible contributions could give the donors the impression that non-payment of pledges was acceptable. UNHCR was committed to monitoring future developments and would consider the setting up of a provision for uncollected voluntary contributions receivable when required by financial prudence. The Board, however, considered that, under the United Nations accounting standards, United Nations agencies with income from voluntary contributions are encouraged to make a provision for unpaid contributions.

27. **The Board recommends that UNHCR establish a provision for uncollected voluntary contributions receivable to show the net realizable value of the voluntary contributions receivable.**

2. Cash advances to implementing partners

28. In its report for the financial year ended 31 December 1998,[1] the Board recommended that advances to implementing partners should be treated as accounts receivable at the time the advances were made and should be cleared to expenditure on receipt of satisfactory financial reports.

29. UNHCR informed the Board that, as part of its new financial management systems development, that requirement was included in the specification of the Integrated Systems Project. Furthermore, UNHCR would consider instalments to implementing partners as a working advance and record it as a current asset (i.e., as

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5E* (A/53/5/Add.5), chap. I.

with an accounts receivable) and simultaneously, UNHCR would record the expenditure and create an obligation. The implementation of this change in UNHCR's accounting would be introduced gradually during 2002, when the roll-out would commence in some offices, with expected completion in 2003.

30. The Administration further reported that the situation had improved and the outstanding balance in respect of the period 1994 to 1997 had been brought down from $63.5 million as at 31 March 1999 to $32.3 million as at 31 December 1999. With regard to 1998 projects, the balance of $92 million as at 31 March 1999 was brought down to $23.4 million as at 31 December 1999. The balance outstanding for 1999 projects stood at the end of the year at $149.4 million.

31. The Board recognized the efforts of UNHCR in reducing the outstanding balance of advances to implementing partners. However, it noted that 13 implementing partners from the 112 projects sampled had total outstanding advances of $8.2 million as at 31 December 1999, some of which had been outstanding since 1994. Of these 13 implementing partners, 8 had not submitted the final monitoring report on the sub-projects implemented, which should be the basis for the settlement of advances given to them by the Administration. The Board further noted that, despite the non-submission of the sub-project monitoring report, these implementing partners were given advances for other projects, either in the same country but for another year, or in different countries and different years.

32. **The Board recommends that UNHCR urge implementing partners with long outstanding advances to submit final sub-project monitoring reports and facilitate the clearance of advances.** The Board suggested that UNHCR determine whether these implementing partners should continue to be eligible for implementing UNHCR's sub-projects in view of their repeated non-compliance with the provisions of the sub-agreement on the submission of final sub-project monitoring reports upon termination of the sub-project.

Audit certificates from implementing partners

33. The Board, in its 1998 report,[1] had recommended that UNHCR assess the reasons for non-compliance by respective Governments and non-governmental implementing partners with the requirement to render audit certificates as prescribed in the sub-agreements, and should draw up a strategy, in consultation with the Board, for securing sufficient audit certificates, based on the materiality and perceived level of risk of individual projects, to provide adequate evidence in support of expenditure reported by implementing partners.

34. The Administration, in response, informed the Board that, during the last quarter of 1999, UNHCR had developed a new policy to be applied for projects implemented in 2000. The policy was presented to the Board in a discussion paper which contained proposals for a number of options to improve the quality, relevance and compliance of audit certificate within each of the categories and a different conceptual approach to the role of audit certificates in the process of auditing UNHCR financial statements.

35. The Board, however, noted that as at the end of the third quarter of 1999, the overall compliance rate of the implementing partners was only 37.23 per cent or a 7.23 per cent increase over that reported in July 1999.

36. The Administration informed the Board that the updated compliance status for 1998, by category, at end of March 2000 is as follows: government partners, 55 per cent; international non-governmental organizations, 88 per cent; and national non-governmental organizations, 47.1 per cent, and that the overall compliance rate had reached the expected 70 per cent mark set by UNHCR.

37. **The Board recommends that UNHCR continue to make efforts to encourage implementing partners to submit the required audit certificates.**

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

38. In accordance with United Nations financial regulation 10.4, the Administration reported that cash amounting to $37,195 was reportedly written off during the year. The write-off included $21,622, representing the unspent balance of the advances paid to an implementing partner in Mozambique. Attempts by the Office in Maputo to recover the unspent balance proved futile. In the UNHCR field office in Gali, Georgia, a robbery took place in April 1997 and the thieves took funds of $7,311 from the safe.

39. The details of property and other categories of losses as reported to the Asset Management Board at headquarters, and written off during 1999, were as follows:

Category	*Value (United States dollars)*
Accident	34 031
Hijacking	81 083
Theft	315 647
Looting	2 721 220
Loss of property	34 627
Damaged/destroyed	7 137
Wear and tear	15 480
Total	**3 209 225**

4. Ex gratia payments

40. The Administration informed the Board that no ex gratia payments were made during the year.

C. Management issues

1. Financial management

Decline in contribution

41. The Board noted with concern the decline in voluntary contributions received by UNHCR and, while expenditures were decreasing, operations have nonetheless resulted in shortfalls of income over expenditures, which were covered by the reserve and fund balances.

42. The Board compared the actual contributions/pledges received during the year and the actual expenditures paid/disbursed in the same year and noted that an average of 40.01 per cent of the reserve fund was used to cover shortfalls in income overexpenditures. While the shortfalls in the last three years have been on a downward trend, they nonetheless reduced the reserve fund. The Board’s analysis of the average shortfalls during these periods and the 1999 beginning balance of reserve and fund, exclusive of the reserve requirements, revealed that UNHCR may not have enough funds to cover shortfalls in less than two years, as shown below:

	(In United States dollars)
Reserve/Fund balance beginning	195 819 659
Less: Reserve requirement	58 000 000
Available to cover shortfalls	137 819 659
Average shortfall, 1996-1998	110 652 427

43. The Board was concerned that the situation could pose a problem to the Administration if and when any unforeseen emergencies or budgeting requirements occur before the donors eventually pay the contributions. The decrease of contributions from donor countries poses a serious liquidity risk for UNHCR and could impact on the delivery of service to its clients.

44. **The Board recommends that UNHCR intensify its efforts to increase pledges/contributions from donors and to reduce programme costs/expenditures, thus making it feasible for UNHCR to operate at a more acceptable level without compromising the delivery of service to its intended beneficiaries or clients.**

2. Asset management

MINDER system

45. UNHCR acquired and piloted the MINDER asset management system in 1995 to allow the Administration to accurately record the equipment and other assets purchased at headquarters and in the field offices, and to achieve full visibility and control over those assets and implementing partners, non-governmental organizations and government agencies involved in the same endeavour.

46. The MINDER system had an initial budget of $1.20 million to cover, inter alia, software purchased for pilot implementation, plus licences for software for other countries; hardware purchase from barcode readers, training and supplies and maintenance costs.

47. MINDER was never fully implemented since its inception in 1994, owing to some system problems, procedural issues and organizational support. The organization-wide systems review for year-2000 compatibility indicated that the MINDER system was not Year-2000 compliant. System programming limitations encountered in the fourth quarter of 1999 precluded the inclusion of inventory records for 76 field offices into the consolidated records. As such, the historical

costs and accumulated depreciation shown are not inclusive of all non-expendable property recorded in 1999.

48. The Board, in its report for 1997,[2] recommended full implementation of MINDER to reflect correctly the assets, and to improve control and management of UNHCR assets. The Board noted in the same report from the statistics provided by the Administration that 90 per cent of the unrecorded assets were in 13 countries. The Board observed that the teams sent to focus on installation and setting-up of MINDER in the field offices had made little progress in this aspect since it discovered that MINDER was not year-2000 compliant. The Board, in its 1998 report, reiterated its recommendation that the Administration should take prompt action to complete the installation of MINDER in all field offices and implement all aspects of the system so that the records would correctly reflect the assets held by UNHCR and its implementing partners.

49. The MINDER system should have provided the value of non-expendable property to be disclosed in the notes to financial statements. The system, however, failed to provide an accurate presentation of the non-expendable property in the notes to the financial statements. As at 2 November 1999, reports coming from the Budget and Finance Sections, representing administrative and operational acquisitions of non-expendable property, respectively, disclosed a discrepancy of $64,359,770, when compared to the MINDER value on 4 November 1999, detailed as follows:

	(In United States dollars)
Budget Section	10 981 287
Finance Section	57 444 811
Total	**68 426 098**
MINDER	4 067 328
Difference	**64 358 770**

50. The Board noted that the non-expendable property databases consolidated into the MINDER database had not been updated to reflect the true value of the non-expendable property as of 31 December 1999 shown in the notes to the financial statements. The 1999 MINDER status report of UNHCR showed that 23 field offices submitted their fourth quarter non-expendable property databases but these were not considered in the consolidated MINDER database, owing to some technical problems. Moreover, as at 31 December 1999, out of the 129 offices, there were 24 field offices (22 per cent), including inactive and closed offices, which had not submitted their inventory listing for inclusion in MINDER, thus understating the value of non-expendable property in the notes to the financial statements by the amount which could not be determined because of lack of data/information from the field offices concerned.

51. UNHCR informed the Board that, in a report prepared in 1999, out of 129 countries, 83 had submitted at least one MINDER database diskette. The database

[2] Ibid., *Fifty-second Session, Supplement No. 5E* (A/52/5/Add.5), chap. I.

diskettes could not be consolidated into the local area network (LAN) database, owing to technical problems at headquarters. The telecommunications and computer asset types showed that the resulting average age is four years and four months, increasing to seven years and eight months for other types of equipment, which indicates that not all new assets purchased within the past few years had been recorded in MINDER.

52. Furniture and equipment with a total historical value of $4,182,695, acquired since 1996, maintained by the Building Services Unit and recorded in Archicad software, had not been taken up as non-expendable property of the organization, contrary to United Nations accounting standards and existing administrative instructions in that regard.

53. The non-expendable property as at 31 December 1999 consisted of MINDER databases with different cut-off dates. Of the 109 field offices that had submitted non-expendable property databases, only 24 (22 per cent) contained information as at 1999. Acquisitions/disposals of non-expendable property since the time of last update were not reflected in the notes to the financial statements. Thus, the net value of the non-expendable property disclosed in the notes to the financial statements was understated by the amount representing the net value of asset from the cut-off dates identified in the submission as at 31 December 1999.

54. As at 31 December 1999, approximately $18,287,196 worth of the non-expendable property costing below $1,500 was still included in the notes to the financial statements, contrary to the existing administrative instruction. This overstated the non-expendable property by the same amount, notwithstanding the special assets, representing a minimal amount, identified by management at 0.03 per cent of non-expendable property below $1,500.

55. There was non-expendable property totalling 6,187 which had been recorded at nominal value of $99.99. The actual value of this non-expendable property was unknown as at the reporting date. Owing to the nature of the non-expendable property, however, although it may have been fully depreciated, the gross value was understated by the difference of the actual value and $99.99.

56. The physical existence of the non-expendable property of UNHCR could not be validated, as the physical stock check had not been successfully undertaken. This is contrary to management's financial assertion that the non-expendable property is actually existing.

57. The Board was concerned about the fact that it had taken some five years for the Administration to finally assess the efficiency and effectiveness of MINDER as an asset tracking system that was originally envisaged to accurately record the equipment and other assets of UNHCR at the core of its supply chain process and as a major means of support to the decentralized management of its assets.

58. The Board noted that MINDER had been discontinued globally as at 31 December 1999 and that the roll-out of a new asset management system, called AssetTrak, which was programmed to replace MINDER on 1 January 2000, had not yet occurred. The gap and other technical deficiencies in MINDER which could adversely affect the new asset tracking system had not been resolved and inventory databases had not been updated. The Board is concerned that the beginning balances of non-expendable property that would be uploaded into the new system are not accurate and complete. With the difficulties noted in consolidating information from

the UNHCR headquarters and its field offices, data integrity could not be assured since the MINDER records were inadequate.

59. The Administration informed the Board that the delay in the roll-out was owing to the resource constraints in the final working version of the software conversion programme and agreed that any delay in the implementation would adversely impact the submission of non-expendable property reports.

60. **The Board recommends that UNHCR immediately address the roll-out of the AssetTrak system to facilitate the recording and reporting of non-expendable property. The Board further recommends that UNHCR ensure that the beginning balances of non-expendable property that would be uploaded into the new system are accurate and complete.**

Assets disposal

61. The Board noted the inadequate control over the disposal of assets by some field offices and their non-compliance with the existing relevant policy. In one field office, unserviceable assets were not recommended to the headquarters Asset Management Board for disposal. In another field office, four computers remained idle and were not considered for transfer to another location where they could be used. The implementing partners disposed of assets without informing the UNHCR field office of the disposal. Apparently some assets directly purchased by the implementing partners were not covered by the Simplified Agreement on the Use of UNHCR Assets, which facilitated the transfer of these assets from one location to another without seeking UNHCR approval. Assets disposed of through donation and assets that were already unserviceable were still included in the list of active assets in some field offices. Cases of loss or theft of assets were reported by the field offices to the headquarters Asset Management Board from one to four years after the incident. The Administration informed the Board that sometimes delays in reporting were due to civil disturbances, following which UNHCR staff were not allowed to return to the country/project site and so were unable to prepare the case documentation and also to difficulties in obtaining a police report which is required to be submitted to the headquarters Assets Management Board.

62. **The Board recommends that UNHCR urge the field offices to comply with the existing policy on assets disposal in order to strengthen controls over them.**

3. Budgetary control and other controls

Budget overruns

63. The Board noted cases of budget overruns in three field offices, particularly in expenditure items such as miscellaneous services, contractual services and temporary assistance, ranging from 26 to 223.42 per cent. Travel, communications and others exceeded the budgets by 69, 98 and 149 per cent, respectively. In the case of expenditures for premises and acquisitions, the excess over the budget was even more pronounced, registering 545 per cent and 511 per cent, respectively.

64. **The Board recommends that the Administration urge the field offices to closely monitor their expenditures to avoid exceeding the limits of allotments.**

Other controls

65. The Board observed inadequate segregation of duties between incompatible functions in a number of field offices. In one field office, the same person was tasked to request price quotation and to evaluate the same; he also received/accepted the delivered items and recorded them in the books. In two field offices, the Administrative Officer performed accounting, procurement, custody and issuance of stationery and cashiering, which are incompatible functions. In another field office, the Administrative Officer performed accounting, procurement, custody and issuance of supplies, cashiering functions, and operated the Asset Management Tracking system. In two field offices, payment vouchers and their supporting documents were not voided or stamped paid to prevent their reuse, and payment vouchers covering purchases were not supported by complete documentation to ensure the propriety of the transaction. In other field offices, not only were the supporting documents lacking, but the payment vouchers were not prepared before payment; petty cash vouchers were not prepared whenever payment was made, some of the petty cash vouchers were not properly authorized and other petty cash vouchers were not duly supported. Other field offices did not maintain complete and accurate records of supplies purchased, received, issued, sold or otherwise disposed of, nor of the inventory on hand, as required under the Financial Regulations and Rules of the United Nations.

66. **The Board recommends that the Administration require all field offices to provide adequate segregation of incompatible functions such as accounting, procurement and cashiering to ensure strong checks and balances of responsibility and to adhere strictly to the United Nations Financial Regulations and Rules.**

4. Human resource management

Monitoring of personnel action

67. The UNHCR payroll is directly handled by the United Nations Office at Geneva, based on the personnel actions issued by the Human Resources Service for matters relating to salaries and entitlements/remunerations of its personnel. The recovery of payments and adjustments of underpayments due to UNHCR personnel are usually done through the United Nations Office at Geneva payroll.

68. The UNHCR Staff Administration and Management Manual stipulates that, in cases of overpayments by the Administration, collection should be limited to the amount overpaid during the 24 months preceding the discovery of the error. Generally, overpayments are recovered in equal monthly instalments, proportionate to the number of months by which the overpayments were made, but in no case longer than the remaining period of the staff member’s contract.

69. The Board noted with concern the inadequate monitoring system for personnel actions. Although covered by personnel actions, there is no guarantee that overpayments that need to be recovered from UNHCR personnel will be immediately and fully recovered.

70. **The Board recommends that UNHCR monitor personnel actions with a view to reducing the risk of overpayments to personnel.**

5. Programme management

Coordination in programme management

71. The Board noted the non-submission or late submission by field offices of reports required by headquarters on unliquidated obligations. Consequently, UNHCR headquarters could not immediately determine whether there were still uncommitted funds at the level of the field offices or implementing partners. Moreover, amounts reported by some field offices exceeded the amounts recorded in the books, which indicated that the reports had not been verified/validated nor coordinated by the desk with the respective field offices to ascertain the reasons for the discrepancy.

72. **The Board recommends that field offices be urged to submit timely reports on unliquidated obligations, which should be used by headquarters to make proper adjustments to the records.**

Programme planning

73. The Board noted certain inadequacies in UNHCR programme planning in the field offices. Project documents prepared in five field offices did not contain the substance and level of information called for in the UNHCR Manual. In the Board's review of 30 sub-project files of UNHCR field offices, in 16 cases, the period over which the results should be achieved were not indicated; in 18 cases, a brief explanation of the links between the project objective and the country operation plan was not indicated; the analysis of refugees by age and gender was not indicated in a majority of the cases and, in 28 cases, participation of the refugees in projects depended on the situation. In the area of related inputs, the significant in-kind contributions of the beneficiaries were not indicated in all of the sub-projects. Most of the planned activities and expected outputs were not expressed in measurable terms and performance indicators were not specified. In some cases, the project objective did not make any reference to a needs and resource assessment; the description of the beneficiaries did not conform to the guidelines, which require specific basic demographic data or profiles of a particular beneficiary group; and the roles of UNHCR and the beneficiaries were not discussed.

74. **The Board recommends that UNHCR field offices strengthen their programme planning through the preparation of appropriate planning documents, which could include performance indicators and milestones.**

6. Project implementation in offices away from headquarters

Releases of advances

75. Releases of instalment advances to implementing partners were not timely in some of the field offices audited. Some instalments were paid in advance and others were delayed, or not paid at all; the majority of instalments were released after an average of 33.5 days from the date shown in the agreement. In another case, the subsequent instalment was paid in full, even though the implementing partner had only spent 21 per cent of the previous cash advance. In another field office, the initial instalment was scheduled before the signing of the agreement. The Board also noted, in one case, the late refund by the implementing partner of its unutilized instalment, although the project had long been completed and, in another case, funds

received by the implementing partner from UNHCR had been deposited in a non-interest-bearing account.

Implementation of programmes

76. In its reports for 1994,[3] 1997[2] and 1998,[1] the Board commented on the maintenance of accounts and the implementation of programmes by the implementing partners. The Board found that certain deficiencies in the maintenance of accounting records and implementation of programmes persisted. In two field offices, while the actual accomplishment was minimal, a disproportionate amount of the budget was used. The Board also noted that urban refugees were given more than the six months' provisions in advance, contrary to established UNHCR procedures. The Board also found that no termination reports had been submitted for two projects that ended on 30 June 1999, and that beneficiary cards had not been used to record all assistance extended to refugees.

77. **The Board recommends that UNHCR streamline its project implementation by ensuring that releases to implementing partners are on time (not delayed nor in advance), and that sub-project monitoring reports are regularly submitted by the field offices to allow assessment by headquarters of the progress of the ongoing projects.** The Board also suggests that field offices closely monitor the performance of implementing partners so as to obtain adequate information that will allow them to determine whether those implementing partners should be considered for future UNHCR projects.

7. Implementation of United Nations Fund for International Partnerships projects

Recording of the contribution

78. The Board reviewed the contribution of $1.7 million received by UNHCR from the United Nations Fund for International Partnerships, which was covered by a memorandum of understanding executed during the latter part of 1998. The Board noted that, while the funds should be treated as trust funds only 43 per cent (or $718,036) were recorded as such, while $950,000, which was intended for the Kosovo crisis, was recorded as a special programme.

79. **The Board recommends that UNHCR record all contributions from the United Nations Fund for International Partnerships as trust funds, to ensure proper monitoring and accounting of those contributions.**

8. Cases of fraud and presumptive fraud

80. As required under the Financial Regulations and Rules of the United Nations, the UNHCR Administration informed the Board that there was no case of fraud or presumptive fraud during the year.

[3] Ibid., *Forty-ninth Session, Supplement No. 5E* (A/49/5/Add.5), chap. I.

D. Acknowledgement

81. The Board wishes to express its appreciation for the cooperation and assistance extended to the auditors by the High Commissioner and her officers and their staff.

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(*Signed*) Osei Tutu **Prempeh**
Auditor-General of Ghana

(*Signed*) Celso D. **Gangan**
Chairman, Philippine Commission on Audit

30 June 2000

Annex

Follow-up on action taken by the Office of the United Nations High Commissioner for Refugees to implement the recommendations of the Board of Auditors in its report for the year ended 31 December 1998[a]

Recommendation 12 (a)

1. UNHCR should treat advances to implementing partners as accounts receivable at the time the advances are made and clear the advances to expenditure on receipt of satisfactory financial reports, and also persevere in its efforts to clear the outstanding balances of cash advances expeditiously, in particular the balances relating to earlier years (para. 27).

Measures taken by the Administration

2. UNHCR had agreed to implement the Board's recommendation and had included this requirement in the specifications of the Integrated Systems Project as part of its new financial management systems development. UNHCR would consider instalments to implementing partners as a working advance and record it as a current asset (i.e. the same as an account receivable). Simultaneously UNHCR would also record the expenditure and create an obligation. The implementation of the change in UNHCR's accounting would be introduced gradually during 2002 and roll-out would commence in some offices, with expected completion in 2003, by which time the recommendation would be fully implemented.

3. During 1999, UNHCR had introduced new rigorous measures to ensure that instalments were not paid to the implementing partners unless they had submitted the required reports. This had greatly contributed to reducing the balances.

Comments of the Board

4. The Board's comments on this matter are contained in the present report.

Recommendation 12 (b)

5. UNHCR should assess the reasons for non-compliance by respective governmental and non-governmental implementing partners with the requirement to render audit certificates as prescribed in the sub-agreements and draw up a strategy, in consultation with the Board of Auditors, for securing sufficient audit certificates, based on the materiality and perceived level of risk of individual projects, in order to provide adequate evidence in support of expenditure reported by implementing partners (para. 35).

Measures taken by the Administration

6. During the last quarter of 1999, UNHCR had developed a new policy to be applied for projects implemented in 2000. That policy had been presented to the

[a] *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 5E* (A/54/Add.5), chap. I, para. 12.

Board's Audit Operations Committee by the UNHCR Controller in a discussion paper dated 3 March 2000. As a result, the relevant guidelines of the UNHCR Manual and the Standard Clauses of the Agreements to be signed with implementing partners were being revised. UNHCR believed that, with the introduction of these new measures, the compliance rates would improve.

7. The discussion paper mentioned above proposed a number of options for improving the quality, relevance and compliance of audit certificates within each of the categories. It also contained a proposal for a different conceptual approach to the role of audit certificates in the process of auditing UNHCR's financial statements.

Comments of the Board

8. The Board's comments on this matter are contained in the present report.

Recommendation 12 (c)

9. UNHCR should ensure that work plans are programme-specific and that they are prepared as an integral part of the project-planning and monitoring process (para. 53).

Measures taken by the Administration

10. Work plans were not required to be submitted for all (sub-) projects, as they were not always necessary. While the plan to customize and introduce new software in 2000, which would allow the automated production of work plans where necessary, had been endorsed by the Information Systems Steering Committee at its meetings in September 1999, it had been decided in February 2000 not to proceed with the purchase and customization of the proposed software. Instead, the team developing the Protection and Programme Management component of the Integrated Systems Project was analysing the extent to which a newly released PeopleSoft module, the Balanced Scorecard within its Enterprise Performance Management system, would provide the required functionality. A scheduler to facilitate the preparation of work plans would be provided either by this means or through the use of Microsoft Project or a similar project scheduling tool. There was a plan to procure the software in 2000, prototype and test the functionality with a view to incorporating the results into the Integrated Systems Project. In the meantime, field offices could use existing software tools (e.g. MS Project, Excel) to prepare work plans where required.

Comments of the Board

11. The Board notes the efforts undertaken by UNHCR to address this issue.

Recommendation 12 (d)

12. UNHCR should exercise stricter control over the progress of work of implementing partners in order to ensure achievement of the stated objectives and recover the savings of $371,368 from the implementing partner concerned (para. 68).

Measures taken by the Administration

13. As recommended by the auditors, UNHCR had undertaken a series of démarches with the concerned Government implementing partner to obtain the stated refund of the savings. The Government implementing partner had reiterated that, in its view, since it had contributed its own resources much in excess of the total value of the UNHCR project, the project savings had been appropriately used to meet the refugee emergency of 1996 and should be considered as an offset to its own contribution. UNHCR would continue to pursue the matter.

Comments of the Board

14. The Board will monitor the progress made on the matter.

Recommendation 12 (e)

15. UNHCR should review completed projects to ensure that they are promptly closed (para. 76).

Measures taken by the Administration

16. During 1999, over 330 projects (about 36 per cent) had been closed for the years 1994 to 1998, inclusive. More significant progress has been made on sub-project closure: in 1999, over 2,500 sub-projects had been closed. The Project Unit had conducted project closure refresher training sessions within the bureaux. That activity had directly led to one bureau hiring staff on temporary assistance to focus on their open backlog. The auditors' comments and observations continued to receive their due attention, leading to the timely closure of projects and sub-projects. While the Project Unit in the Financial Resources Service had the overall oversight responsibility for the recommendation, accountability rested with the relevant programme managers at the operations location. Project closure was an ongoing yearly activity and definite timetables for implementation could not be established.

Comments of the Board

17. The Board has commented on this subject in the present report.

Recommendation 12 (f)

18. UNHCR should update plans still to be implemented under Project Delphi, prioritize those activities which can be implemented with the available resources and monitor the implementation of those plans to ensure that they achieve their objectives (para. 106).

Measures taken by the Administration

19. The Administration submitted a table showing in detail the update of the plans to be implemented under Project Delphi and assured the Board that the actions indicated in the updated plans would be monitored to ensure that the stated objectives under "Action planned" were achieved.

Comments of the Board

20. The Board will continue to monitor the progress made on this issue in future audits.

Chapter II

Audit Opinion

We have audited the accompanying financial statements, comprising statements I to III, schedules 1 to 10, the appendix and the supporting notes to the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees for the period from 1 January to 31 December 1999. These financial statements are the responsibility of the High Commissioner. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis and as considered by the Board of Auditors to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the High Commissioner, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, these financial statements present fairly, in all respects, the financial position as at 31 December 1999 and the results of operations and cash flows for the period then ended, in accordance with UNHCR stated accounting policies as set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Further, in our opinion, the transactions of the High Commissioner, which we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and legislative authority.

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

(*Signed*) Sir John **Bourn**
Comptroller and Auditor General
of the United Kingdom of Great Britain
and Northern Ireland

(*Signed*) Osei Tutu **Prempeh**
Auditor-General of Ghana

(*Signed*) Celso D. **Gangan**
Chairman, Philippine Commission on Audit

30 June 2000

Chapter III

Statement of the High Commissioner's responsibilities and approval 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 United Nations High Commissioner for Refugees which are submitted to the Executive Committee of the High Commissioner's Programme and to the General Assembly of the United Nations.

To fulfil its responsibility, UNHCR 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 reviews by the Office of Internal Oversight Services and the United Nations Board of Auditors, during their respective audits.

In this context, the following appended financial statements, comprising statements I to III, schedules 1 to 10, appendix I and supporting notes, were prepared in accordance with the UNHCR Financial Rules (A/AC.96/503/Rev.6) and the United Nations common accounting standards. In management's opinion, the accompanying financial statements present fairly the financial position of the Office as at 31 December 1999, and the results of its operations and its cash flows of individual programmes, funds and accounts for the year then ended.

The accounts are hereby

Approved:
(*Signed*) Sadako **Ogata**
United Nations High Commissioner for Refugees

Certified:
(*Signed*) Jean-Marie **Fakhouri**
Controller and Director
Office of the United Nations
High Commissioner for Refugees

Geneva
29 February 2000

Chapter IV

Financial statements for the year ended 31 December 1999

Notes to the financial statements

Note 1. Office of the United Nations High Commissioner for Refugees and its activities

The Office of the United Nations High Commissioner for Refugees (UNHCR) was established by the General Assembly in its resolution 319 A (IV) of 3 December 1949. Its statute was approved by the Assembly in resolution 428 (V) of 14 December 1950.

The overall objective of UNHCR is to provide international protection to refugees and to seek durable solutions to refugee problems. UNHCR seeks to safeguard the fundamental principles of asylum and *non-refoulement* and to ensure that the basic rights of refugees are respected and that they are treated in a dignified and humane manner. UNHCR has also developed, at the request of the General Assembly and the Governments concerned, substantial material assistance programmes to meet refugee needs. Subsequent resolutions of the General Assembly, the Economic and Social Council and the Executive Committee of the High Commissioner's Programme have called upon the Office, in the context of its basic mandate, to assist other groups of persons regarded as falling within the competence of the High Commissioner. In complex humanitarian emergencies, UNHCR also contributes to the provision of humanitarian assistance.

The High Commissioner reports annually to the General Assembly through the Economic and Social Council. An Executive Committee of the High Commissioner's Programme was established pursuant to General Assembly resolution 1166 (XII) of 26 November 1957 to advise the High Commissioner in the exercise of his/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 annual plenary session and a number of inter-sessional meetings of a Standing Committee of the Whole. In 1999 the Executive Committee consisted of 54 member countries. Each year the report on the session of the Executive Committee is submitted to the General Assembly as an addendum to the annual report of the High Commissioner.

Note 2. Summary of significant accounting policies

(a) **Financial rules for voluntary funds.** The UNHCR voluntary funds accounts are maintained in accordance with the Financial Rules for Voluntary Funds administered by the High Commissioner (A/AC.96/503/Rev.6) approved by the Executive Committee at its forty-sixth session. These financial statements and schedules also conform to the common accounting standards for the United Nations system, as noted by the General Assembly in its resolution 48/216 C of 23 December 1993 (A/48/530) and as subsequently revised. As of 1 January 2000, the accounts will be maintained in accordance with revision 7 of the Financial Rules (A/AC.96/503/Rev.7) approved by the Executive Committee at its fiftieth session.

(b) **Fund accounting.** The UNHCR's accounts are maintained on a "fund accounting" basis. Separate funds for general and special purposes are established in accordance with the Financial Rules for Voluntary Funds. General programmes cover statutory activities and consist of the Annual Programme, the Voluntary

Repatriation Fund and the Emergency Fund. The activities under general programmes are funded through contributions to the General Fund. Special programmes describe a series of activities funded from a range of distinct trust funds.

Each fund is maintained as a distinct financial and accounting entity with separate self-balancing double-entry groups of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) **Use of estimates.** Preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Estimates are used in the context of expenditure recognition, in particular, but not exclusively, at the end of the financial period to determine the amounts to be retained in respect of unliquidated obligations.

(d) **Funds.** The funds reported in the accounts are as follows:

- The **Working Capital and Guarantee Fund** has an established ceiling of $50 million approved by the Executive Committee and is maintained by income from interest on invested funds and savings from prior years' Annual Programme, Emergency Fund and Voluntary Repatriation Fund. The Fund is utilized to replenish the Emergency Fund and to meet essential payments for projects pending receipt of contributions pledged.

- The **Annual Programme** covers the financial activities which are approved annually by the Executive Committee for the programmed activities for individual country/areas and for certain costs incurred by headquarters. It also includes a programme reserve.

- The **Emergency Fund** is maintained at not less than $8 million and is replenished from the Working Capital and Guarantee Fund and voluntary contributions. The High Commissioner may allocate from the Emergency Fund up to $25 million annually, provided that no single emergency exceeds $8 million.

- The **Voluntary Repatriation Fund** provides financial assistance, under general or special programmes, for voluntary repatriation operations for refugees. The Fund was established with a base level of $20 million, and may reach an amount equivalent to 10 per cent of the estimated budget for voluntary repatriation operations in the preceding year.

- **Special programmes (including trust funds)** comprise various trust and special programme funds to account for moneys available for purposes falling outside the general programmes and within the scope of UNHCR activities.

- The **Refugee Education Account** is a special account maintained by voluntary contributions and used to finance higher education for refugees.

- The **Medical insurance plan** is maintained by premiums from field staff and related contributions from UNHCR. Payments are based on claims processed during the year to cover field staff medical costs.

- The **Fund for International Field Staff Housing and Basic Amenities** was established by the Executive Committee at its thirty-third session in 1982 as a special account to assist primarily international staff members serving in most difficult duty stations where housing is substandard, to obtain suitable housing and basic amenities.
- The **Income-Generating Activities Fund** is maintained by revenue from external sales. Expenditure reflects purchase of goods for resale.

(e) **Translation of currency.** The accounts are presented in United States dollars. In the field offices, the accounts may be maintained in the national currency of the country concerned. The field office account transactions are translated into United States dollars using the United Nations operational rates of exchange, as established by the United Nations Controller, in effect at the date of the transaction. At the balance sheet date, all asset and liability balances are adjusted to reflect the United Nations operational rate of exchange in effect at 31 December.

(f) **Voluntary contributions and pledges.** Voluntary contributions from Member States and other donors are recorded as income upon receipt or on the basis of a written pledge from the donor. Unconditional pledges from Governments are fully recognized as income at the time of receipt of the pledge. In the interest of prudent financial management, up to one half of the value of conditional pledges from Governments and firm pledges made by organizations of established repute are recognized as income at the time the pledge is received. Pledges unpaid are adjusted to their dollar equivalent calculated at the United Nation operational rate of exchange prevailing on 31 December of each year.

Until 1998, contributions in kind were recorded at the fair market value of the goods and services to UNHCR at the time the pledge was made. The related obligation and expenditure were recorded at the time the pledge was made. At delivery, the obligation was liquidated and the receivable was correspondingly cancelled. Beginning in 1999, new contributions in kind are recorded at delivery. Extrabudgetary in kind contributions are not recorded in the accounts, but are listed in the appendix.

Cash received against pledges is recorded at the United States dollar equivalent calculated at the United Nations operational rate of exchange prevailing on the date of receipt.

Pledges due are written off after 5 years unless the donor has reconfirmed the commitment in writing not more than 18 months before the end of the accounting period.

(g) **Interest income.** Interest income includes all interest and related investment income earned on invested funds and various bank accounts. Financial rule 9.3 specifies the conditions for recording of investment income which is to be credited to the General Fund.

(h) **Miscellaneous income.** Miscellaneous income includes income from sale of used or surplus property, refunds of expenditures charged to prior periods and settlement of insurance claims. The Annual Programme includes net recoveries relating to the transfer of emergency stockpile items to operational projects as miscellaneous income.

(i) **Currency exchange adjustments.** Currency exchange adjustments include losses and gains on transactions and translation losses and gains from revaluation of year end asset and liability balances, based on the United Nations operational rate of exchange. Exchange differences are charged to the General Fund.

(j) **Expenditure.** Project expenditure reflects the amounts obligated according to the terms and conditions specified in financial rule 8.

(k) **Ex gratia payments.** The granting of ex gratia payments is governed by financial rule 10.5. A statement of ex gratia payments, if any, is submitted to the Board of Auditors with the annual accounts.

(l) **Write-offs.** Write-off due to losses of cash, property, or the book value of accounts receivable, including the conversion of loans into grants, is governed by financial rule 10.6. A statement of all amounts written off is submitted to the Board of Auditors with the annual accounts.

(m) **Non-expendable property.** In accordance with United Nations accounting policies, non-expendable property purchased with UNHCR voluntary funds is not included in the fixed assets on the balance sheet, but is charged as expenditure to the appropriate project in the year of acquisition. The inventories are recorded at the United States dollar equivalent calculated at the rate of exchange prevailing on the date of purchase. For valuation purposes, depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Estimated depreciable lives are as follows: motor vehicles, four to eight years; furniture and office equipment, three to ten years; machinery and equipment, three to ten years; and buildings and fixtures, eight years.

(n) **Reclassification.** In 1998, certain amounts due from United Nations agencies were included in Other receivables. For consistency, these amounts have been reclassified to conform with the 1999 presentation.

Note 3. Cash and term deposits

The figure shown for cash and term deposits represents the net total of all cash balances (including funds held in non-convertible currencies) less any overdrafts. Refer to schedule 9 for a breakdown between current and deposit accounts. Refer to schedule 10 for details of the dollar equivalent of non-convertible currencies held at 31 December 1999.

Note 4. Voluntary contributions receivable

The receivable represents contributions outstanding from all donors, the details of which are reflected in schedule 1 for the current year and schedule 2 for all prior years. The age of contributions outstanding is shown below (in United States dollars):

	Cash	*In kind*
Current year	116 732 476	-
1998	23 627 354	-
1997	5 771 795	285 714
1996	4 578 519	-
1995	2 500	-
Total	**150 712 644**	**285 714**

Note 5. Due from/to United Nations bodies

Included in this balance (in United States dollars) are amounts due from United Nations bodies. The balances in excess of $10,000 are noted below:

Department of Humanitarian Affairs	66 2
Department of Peacekeeping Operations	433 7
Office for the Coordination of Humanitarian Affairs	406 0
Office of Human Resources Management	264 8
UNBRO	109 4
UNDP	(2 6
UNESCO	33 5
UNICEF	85 2
UNMO	187 8
United Nations New York	(394 4
United Nations Office at Geneva	5 7
United Nations Office for Project Services	29 9
UNV	106 6
WFP	48 6
WHO	527 6
WMO	48 8
Total	**5 0**

The amounts are grouped based on the legal right of set-offs.

Note 6. Other receivables

An amount of $1,142,308 in respect of loans made to or on behalf of refugees is still refundable to UNHCR as at 31 December 1999 (schedule 7). These loans were fully expensed in the years in which they were made and only memorandum accounts are maintained in UNHCR accounts.

Note 7. Non-expendable property

In accordance with the United Nations accounting policies, non-expendable property is not included in the fixed assets on the balance sheet and is charged as expenditure to the appropriate project in the year of acquisition.

The UNHCR records of non-expendable property have been maintained in the MINDER asset tracking system for the years 1995 to 1999, inclusive. The organization-wide systems review for year-2000 compatibility indicated that the MINDER system was not year-2000 compliant. System programming limitations encountered in the fourth quarter of 1999 precluded the inclusion of inventory records for 76 field offices into the consolidated records. As such, the historical costs and accumulated depreciation shown are not inclusive of all non-expendable property recorded in 1999.

The development of a new asset tracking system (AssetTrak) was contracted in September 1999.

The historical costs of non-expendable property recorded in the MINDER asset tracking system as at 31 December 1999 was as follows:

Motor vehicles	$159 953 105
Furniture and office equipment	75 572 945
Machinery and equipment	42 844 220
Buildings and fixtures	3 027 957
	281 398 227
Less accumulated depreciation	229 752 215
Total	**$51 646 012**

Note 8. Accounts payable

The accounts payable include the following amounts due to other agencies (in United States dollars):

IOM	$18 079
UNV	800 439
UNCC	146 500
Total	**$965 018**

Note 9. Liabilities for end-of-service and post retirement benefits

In accordance with United Nations common practice, UNHCR has not specifically recognized in any of its financial accounts liabilities for after-service health insurance costs or the liabilities for other types of end-of-service payments that will be owed when staff members leave the organization. Such expenses are budgeted for in the corresponding operations budget, and the actual costs incurred in each financial period, when staff members terminate, are reported as current year expenditure.

(a) After-service health insurance

The financial dimension of the organization’s liability for after-service health insurance is estimated to reflect actuarial patterns and assumptions similar to those of the overall United Nations estimate disclosed in the notes to the United Nations financial statements for the corresponding year. The organization’s liability is estimated, by extrapolation, to be in the order of $230 million. This estimate will be updated and based on a full actuarial valuation of UNHCR for the financial statements for 2000.

(b) Accrued annual leave

Terminating staff are entitled to payment for any unused vacation days they may have accrued up to a maximum of 60 days. The organization’s total liability for such unpaid accrued vacation compensation is estimated to be between $25 million and $30 million.

(c) Termination benefits

Some staff members are entitled to repatriation grants and related expenditures of relocation upon their termination from the organization, based on the number of years of service. The organization’s total liability for such unpaid repatriation and relocation entitlement is estimated to be between $22 million and $27 million.

(d) Pension plan

UNHCR is a participating member of the United Nations Joint Staff Pension Fund (UNJSPF), which was established by the General Assembly to provide retirement, death, disability and related benefits. UNJSPF is a funded defined benefit plan. The financial obligation of UNHCR to UNJSPF consists of its mandated contribution at the rate established by the General Assembly, together with any share of any actuarial deficiency payments under article 26 of the regulations of UNJSPF. Such payments are only payable if and when the General 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 UNJSPF as of the valuation date. The result of the last actuarial valuation as at 31 December 1997 was an actuarial surplus of 0.36 per cent of pensionable remuneration. The actuarial sufficiency of UNJSPF will be reassessed as at 31 December 1999. The results of that assessment are not yet available.

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