

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/070

Audit of the United Nations regular budget appropriation to the United Nations High Commissioner for Refugees

Overall results relating to arrangements for regular budget appropriation to UNHCR were initially assessed as satisfactory

FINAL OVERALL RATING: SATISFACTORY

27 August 2013

Assignment No. AR2012/161/01

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AUDIT REPORT

Audit of the United Nations regular budget appropriation to the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations regular budget appropriation to the United Nations High Commissioner for Refugees (UNHCR).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. Article 20 of the UNHCR Statute states that the regular budget of the United Nations will bear the administrative expenditures relating to the functioning of the Office of the High Commissioner. The Committee on Administrative and Budgetary Questions (ACABQ) has previously defined “administrative expenditures” as expenses other than operational expenses and the related management costs. The Committee has also indicated that the expenses relate to management and administration category posts and the related non-post expenditures.
4. For the biennium 2002-2003, UNHCR proposed that the mechanism for providing the regular budget funds be changed to a lump-sum arrangement to simplify the budgetary process for management and administrative (M&A) posts. At that time, the level of regular budget was based on the revised appropriation approved by the General Assembly at its fifty-fifth session, representing an amount equivalent to 220 posts or 50.8 per cent out of the existing 433 M&A posts in UNHCR. Only two posts (the High Commissioner and the Deputy High Commissioner posts) remained under the standard budgetary submission arrangements.
5. In March 2004, the General Assembly requested the Secretary General to submit, at the fifty-ninth session, a proposal for the progressive implementation of the lump-sum to enable full implementation of article 20 of the statute of the Office of the United Nations High Commissioner for Refugees. In January 2005, the General Assembly also made the request for the progressive implementation of the lump-sum and specified that the 50.8 per cent did not represent a ceiling.
6. At the request of the General Assembly, the Secretary General submitted in November 2008 a report on the review of the lump-sum arrangement. The Secretary General and the ACABQ reported on the matter to the General Assembly who approved, in February 2009, the recommended maintenance of the lump-sum arrangement.
7. The actual amount of regular budget received by UNHCR under the lump-sum arrangement is shown in Table 1.

Table 1: Regular budget received by UNHCR from 2002-03 to 2012-13 biennium
(Thousands of United States dollars)

	2002-2003	2004-2005	2006-2007	2008-2009	2010-2011	2012-2013
Regular budget	49,244	66,283	68,502	80,005	83,700	95,510 ¹

¹ Initial appropriation

II. OBJECTIVE AND SCOPE

8. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the **effectiveness of arrangements for the United Nations regular budget appropriation to the UNHCR**.

9. This audit was included in the 2012 risk based annual work plan due to risks related to UNHCR receiving the incorrect amount of regular budget funding and thus using funds provided for operational activities on activities that should be covered by the regular budget.

10. The key control tested for the audit was adequacy of funding arrangements, which OIOS defined as those controls that provide reasonable assurance that UNHCR identifies and receives adequate regular budget funds to meet its administrative expenditures and utilizes these funds for intended purposes.

11. The key control was assessed for the control objectives shown in Table 2. Certain control objectives (shown in Table 2 as “Not assessed”) were not relevant to the scope defined for this audit.

12. OIOS conducted the audit from October 2012 to January 2013. The audit focused on the regular budget prepared for 2010, 2011 and 2012, but involved review of the budget discussions ongoing since the introduction of the lump-sum arrangement.

13. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. As part of the audit, OIOS conducted interviews with the UNHCR Programme Budget Service (PBS), the UNHCR Controller, and the United Nations Programme Planning and Budget Division (PPBD). In addition, OIOS tested the adequacy of the arrangements in place to ensure that regular budget funds were used for the intended purpose through costs analysis and sampling of staff and non-staff costs.

III. AUDIT RESULTS

14. The UNHCR governance, risk management and control processes examined were assessed as **satisfactory** in providing reasonable assurance regarding the **effectiveness of arrangements for United Nations regular budget appropriation to the UNHCR**.

15. The initial overall rating was based on the assessment of key controls presented in Table 2 below. The final overall rating is **satisfactory**. UNHCR had put in place adequate arrangements to ensure that regular budget funds were used for the intended purpose. Mechanisms were in place to identify administrative expenditures needed to be funded from United Nations regular budget resources, in accordance with the formula agreed with the ACABQ. Whilst UNHCR requests for funding in terms of Article 20 of the UNHCR statute and related General Assembly resolutions were not fully met, regular communications were taking place between UNHCR and PPBD to discuss the differences.

Table 2: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effectiveness of arrangements for United Nations regular budget appropriation to the UNHCR	Adequacy of funding arrangements	Satisfactory	Not assessed	Not assessed	Satisfactory
FINAL OVERALL RATING: SATISFACTORY					

A. Adequacy of funding arrangements

Adequate arrangements were in place for identifying the administrative expenditures to be funded from United Nations regular budget resources

16. UNHCR calculated its regular budget requests under the lump-sum arrangement using the agreed definition of administrative expenditures. OIOS confirmed that this was the basis used for the budget submissions since the introduction of the lump-sum arrangement.

17. For the biennium 2010-2011, UNHCR calculated a figure of \$223.8 million for M&A posts, as compared to the final regular budget appropriation of \$83.7 million. For the biennium 2012-2013 UNHCR requested \$231 million for M&A posts and received \$95.5 million from the regular budget. The difference between what was requested and what was received under the lump-sum arrangement arose because for 2010-2011, UNHCR had identified 551 management and administration posts that could be charged to the regular budget. In the 2012-2013 biennium, the figure was 528 posts. However, Programme Planning and Budgeting Division (PPBD) had, since the introduction of the lump-sum arrangement, calculated the amount due using the figure of 220 management and administration category posts, which was the number of posts used when the lump-sum arrangement was introduced.

18. UNHCR had regularly engaged PPBD on why the regular budget contribution had not been increased, especially in light of General Assembly Resolutions requesting increases. The most recent correspondence was in relation to the 2012-13 budget where the office of the Controller responded to UNHCR that whilst they had some valid arguments, the General Assembly's resolution of December 2012 on the Proposed Programme Budget Outline for 2014-2015, set the level for the 2014-2015 biennial budget for the United Nations at \$5,392 million. The General Assembly subsequently imposed a \$100 million overall reduction by setting an absolute level for the 2014-2015 budget. PPBD position was that this decision replaced any previous direction by the General Assembly. As there is an ongoing discussion between UNHCR and PPBD on this issue, no recommendation was raised.

Arrangements were in place to ensure that regular budget funds were used for the intended purpose

19. PBS has responsibility to ensure that all the costs related to the regular budget are used for the intended purposes.

20. PBS has adequate arrangements in place for ensuring a correct charge to regular budget for staff and non-staff costs:

- The staffing table is used to indicate, via a special coding, those staff who are charged to the regular budget. OIOS verified that this mechanism worked and confirmed that there was a methodology in place to deal with changes in M&A posts vacated due to such reasons as discontinuation. A 100 per cent check was done to compare the staffing table approved by General Assembly to the staff who were charged. In addition, a random sample of staff charged to regular budget was taken to confirm that they were in M&A posts.
- Around \$10 million was available from the regular budget for non-staff costs in 2010-2011. As with staff, a special code was used to identify the relevant costs within the system. A list was also maintained of all expenditures that were valid to charge. A 100 per cent check was done for the journal vouchers through which the non-post M&A costs were charged to the regular budget to confirm that the expenditures were valid and had been correctly charged to the regular budget.

IV. ACKNOWLEDGEMENT

21. OIOS wishes to express its appreciation to the Management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

APPENDIX I

Management Response



UNHCR

United Nations High Commissioner for Refugees
Haut Commissariat des Nations Unies pour les réfugiés

Memorandum

UNHCR

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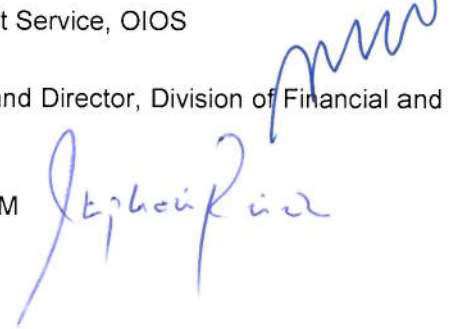
To/A: Mr. Christopher Bagot, Chief, Geneva Audit Service, OIOS

Through: Ms. Kumiko Matsuura-Mueller, Controller and Director, Division of Financial and Administrative Management, DFAM

From/De: Stephanie Rinville, Audit Coordinator, DFAM

File Code/Dossier: FIN-02-01-02 (Budget Appropriation)
CM00/2013/0066/NB/nb

Subject/Objet: **Response to the draft audit of the UN regular budget appropriation to UNHCR (AR2012/161/01)**



Date: 15 August 2013

1. Reference is made to the draft report on the above-mentioned Audit assignment.
2. Following UNHCR's response to the Detailed Audit Results, we note that OIOS has revised its overall opinion of the audit assignment from partially satisfactory to satisfactory and that the report does not contain any recommendation. Please note that UNHCR has no further comment.
3. Thank you for your attention.

cc. L. Ryan