



General Assembly

Distr.: General
19 September 2011
English
Original: English and French

Biennial programme budget 2012-2013 of the Office of the United Nations High Commissioner for Refugees

Addendum

Report by the Advisory Committee on Administrative and Budgetary Questions*

* Submission date related to timing of meetings of the Advisory Committee on 7 September 2011 and transmission of the report to UNHCR on 17 September 2011

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Office of the United Nations High Commissioner for Refugees Biennial Programme Budget 2012-2013

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report “Biennial programme budget 2012-2013 of the Office of the United Nations High Commissioner for Refugees” (A/AC.96/1100), and the document on the “Proposed revision of the Financial Rules” (EC/62/SC/CRP.27).
2. During its consideration of the reports, the Advisory Committee met with the Deputy High Commissioner and other representatives of the High Commissioner, who provided additional information and clarification.
3. The Advisory Committee also had before it the “Financial report and audited financial statements for the year ended 31 December 2010 and report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees” (A/66/5/Add.5). The Committee met with representatives of the Board of Auditors regarding its report on UNHCR. The comments of the Board on some of the issues and the recommendations of the Committee are reflected in section III below. The Advisory Committee’s report on the report of the Board (A/66/5/Add.5) will be presented to the General Assembly at its sixty-sixth session.

II. Proposed biennial programme budget 2012-2013

A. Budget methodology and presentation

4. The Advisory Committee recalls that since the biennium 2010-2011, UNHCR has presented its biennial programme budget in a new budget structure which consists of four components or “pillars”: Global Refugee Programme, Global Stateless Programme, Global Reintegration Projects and Global Internally Displaced Persons (IDP) Projects. In addition, UNHCR’s biennial programme budget has since been based on an assessment of needs rather than on the expected availability of funds (A/AC.96/1068, para. 6).
5. For the proposed biennial programme budget for 2012-2013, UNHCR indicates that the proposed budget is broadly based on the results of the Global Needs Assessment (see para. 10 below) and the results-based framework, with the global strategic priorities serving as guiding principles. UNHCR further indicates that it has taken into due account the feasibility of programme implementation, including issues such as access to persons of concern and staffing. With respect to the relation between its budgets, funds and programme implementation, UNHCR indicates that, as the budget can only be implemented to the extent that resources become available, high-level monitoring and continuous re-prioritization and adjustment of programmes are required (A/AC.96/1100, paras. 7, 19 and 20).
6. In this connection, UNHCR acknowledges that the Office continues to experience the gap between budgets and funds available (*ibid.*, para. 11; also see

para. 9 below). The trends of UNHCR budgets, funds and expenditures from 2000 to 2013 are illustrated in Figure A, which shows an increasing gap between the budgets, funds and expenditures. The Advisory Committee recalls that the proposed new budget structure was intended to reflect a shared goal of improved predictability and reduced earmarking of funding for UNHCR operations (A/AC.96/1068/Add.1, para. 10). The Committee notes from the proposed budget for 2012-2013 that UNHCR is preparing a resource mobilization strategy that aims to fund the totality of the assessed needs of persons of concern by 2015. The planned strategy would focus on five funding sources: (a) the traditional donors, (b) potential new donors, (c) linking up with development funding and (d) the United Nations and pooled funds, as well as (e) the private sector (A/AC.96/1100, para. 89).

7. In the view of the Advisory Committee, the projection to fund the totality of the assessed needs by 2015 appears to be ambitious. The Committee notes from figure A that the voluntary contributions to UNHCR have increased from some \$1 billion in 2003 to over \$2 billion in 2010; however, the current trend in increased voluntary contributions is closely linked to its recent emergency operations. Further, the current global economic situation might not sustain such a trend. Nevertheless, the Advisory Committee welcomes UNHCR's fund-raising initiatives and encourages the Office to continue to intensify its efforts, including measures aimed at broadening its donor base.

8. With respect to the presentation of the proposed biennial programme budget for 2012-2013, the Advisory Committee recalls its observations contained in paragraphs 16 and 17 of its earlier report A/AC.96/1087/Add.1. The Committee is of the view that, while the presentation has been improved to some extent, further refinement could still be made in order to facilitate consideration of future budget proposals and revisions. For example, the presentation should provide a better basis for analytical work, such as expenditure patterns.

B. Expenditures for 2010 and revised budget for 2011

9. Information with respect to the expenditures for 2010 and the revised budget for 2011 is contained in paragraphs 22 to 25 of the budget document. For 2010, the total expenditure amounted to \$1,878.2 million against funds available of \$2,112.5 million and a final budget of \$3,288.7 million (A/AC.96/1100, para. 22). For 2011, the budget is currently revised at \$3,780.5 million, compared with the budget of \$3,320.8 million approved by the Executive Committee in October 2010, which reflects an increase of \$459.7 million for five supplementary budgets created since January 2011. As of 30 June 2011, total funds available amounted to \$2,184.5 million, showing a shortfall of \$1,596 million against the revised budget.

C. Biennial programme budget 2012-2013

10. The estimated requirements for 2012 and 2013 amount to \$3,591.2 million and \$3,418.6 million, respectively. UNHCR indicates that given the evolving nature of its operations, the proposed budget for 2013 is a preliminary estimate. Further, while the budget for field operations represents the totality of the needs identified through the Global Needs Assessment process, the proposed budget for the global programmes and for headquarters have been prioritized on the basis of expected income (*ibid.* paras. 11 and 14). Tables A to C provide information with respect to the projected numbers of persons of concern to UNHCR and the

proposed budgets for field operations, global programmes and headquarters, with a breakdown of the resources allocation by the four pillars.

11. The overall requirements of UNHCR's operations, the trends in different regions and the global programme for 2012-2013 are described in paragraphs 50 to 85 of the budget document. The Advisory Committee notes that the resources proposed for 2012 are as follows (*ibid.*, paras. 50 to 52):

(a) Pillar I (Global Refugee Programme, \$2,713.2 million) continues to be the largest programme, representing some 75 per cent of the proposed resources, an increase of 2 per cent, compared with the allocation for 2011;

(b) Pillar II (Global Stateless Programme, \$56.2 million) accounts for 2 per cent of the proposed budget;

(c) Pillar III (Global Reintegration Projects, \$246.4 million) constitutes some 7 per cent of the resources for 2012, due to significant reductions in Europe, Africa and Iraq; and

(d) Pillar IV (Global Internally Displaced Persons Projects, \$575.4 million) makes up 16 per cent of the proposed budget, representing a substantial decrease from 2011 due to, in particular, reduced needs in Pakistan.

12. UNHCR proposes the following for its two reserves (*ibid.*, para. 15):

(a) To calculate the Operational Reserve at 10 per cent of the programmed activities under pillar I and II, which would amount to \$248.8 million for 2012 and \$240.7 million for 2013; and

(b) To maintain the "New or additional activities – mandate-related" Reserve at the current annual level of \$20 million.

The Advisory Committee has no objection to the proposals.

D. Post requirements

13. Post requirements for 2012 and 2013 are estimated to be 8,451 and 8,117, respectively. According to UNHCR, the proposed increase of 579 posts for 2012, compared with the posts for 2011, is due to the expansion of emergency operations in 2011 which, UNHCR expects, will require continuing intervention for a minimum of two years. Information with respect to UNHCR workforce and staffing levels is explained in paragraphs 26 to 42 of the budget document. Table 10 provides an analysis of the overall post levels for the current and the next biennium, with breakdown by field, global programmes and headquarters, as well as by the three categories of posts (Programme, Programme Support and Management and Administration).

14. The issue regarding staff in-between assignments (SIBA) is discussed in paragraphs 35 to 38 of the budget document. UNHCR indicates that, in order to improve the categorization of staff working in its mobile operational environment, a detailed staffing nomenclature was issued in early 2011, which recognizes the importance of all types of assignments in the discharge of UNHCR's mandate. Furthermore, a new policy is being designed to streamline the assignment process applicable to SIBAs, including statutory and administrative measures. The Advisory Committee recognizes the operational need for UNHCR to rely on temporary assignments, including staff in-between assignments. In the view of the Committee, the new measures proposed and being considered by UNHCR represent a pragmatic management of a dynamic workforce. The Committee is also of the view that UNHCR might wish to explore the feasibility of assignment

opportunities for its staff in-between assignments within the wider United Nations system.

E. Regular budget

15. Financing of UNHCR under the regular budget of the United Nations is described in paragraphs 17 and 18 of the budget document. For the biennium 2012-2013, the regular budget appropriation would amount to \$85.52 million, equivalent to 38 per cent of the estimated overall management and administration costs of the Office. Information with respect to the 220 posts to be covered by the appropriation under the regular budget for 2012-2013, including that of the High Commissioner and the Deputy High Commissioner, is provided in Table 5 of the proposed budget. The Advisory Committee has considered the regular budget provision for UNHCR under the proposed programme budget for 2012-2013 (A/66/7, Sect.25). The General Assembly is yet to consider the proposed programme budget for the biennium 2012-2013 at its sixty-sixth session.

III. UNHCR key initiatives and recommendations of the Board of Auditors

16. The Advisory Committee takes note of the key findings and recommendations contained in the summary of the report of the Board of Auditors (A/66/5/Add.5, Chap. II). In this connection, the Committee notes a number of key initiatives undertaken by UNHCR (A/AC.96/1100, paras. 88 to 119). Though several issues therein relate to some of the recommendations of the Board of Auditors, the relevant UNHCR actions to the recommendations of the Board are not explicitly expressed in the proposed budget for 2012-2013. Upon enquiry, the Advisory Committee was provided with a copy of the document "Measures taken or proposed in response to the recommendations in the report of the Board of Auditors to the General Assembly on the accounts of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2010" (A/AC.96/1099/Add.1). The Committee requests that future reports on follow-up actions by UNHCR to implement the recommendations of the Board of Auditors be made available to the Advisory Committee at the time of its consideration of submissions and revisions of UNHCR biennial programme budgets.

A. Division of Information Systems and Telecommunications

17. UNHCR indicates that, following a review of its Division of Information Systems and Telecommunications, a restructuring of the Division is in progress. The restructuring includes a reduction of posts from 90 to 42 at Geneva and the creation of an ICT service centre in Amman, Jordan, closer to its main operations. The service hubs in Kuala Lumpur and Panama City will continue to form part of an integrated UNHCR network (*ibid.* paras. 95 to 97).

B. Supply Management Service

18. Information with respect to UNHCR's Supply Management Service, its plan of action and main objectives, is provided in paragraphs 98 to 102 of the proposed budget. It is indicated that the restructuring of the Service was completed in 2010

with three sections: Supply Operational support Section, Supply Infrastructure Support Section and Business Support Section. Furthermore, a new section, the Compliance and Risk Management Section, was established in 2011 to ensure (a) full compliance with the regulations and rules by the Service and (b) implementation of all audit recommendations.

C. After-service health insurance and its reserve

19. The Advisory Committee notes that the Standing Committee adopted a decision in June 2011 to commence funding of UNHCR's end-of-of service and post-retirement liabilities, though the Standing Committee acknowledges that UNHCR does not need to fully fund these liabilities at once. For after-service health insurance (ASHI), a monthly payroll charge of 3 per cent shall be applied to the net base salary of all professional staff and of relevant general service staff, with effect from 1 January 2012. UNHCR will undertake a formal review, in consultation with the Board of Auditors, to assess the assumptions against the reserve and to make adjustments required on a biennial basis, in line with the budget cycle. UNHCR indicates that the review would take into account any relevant discussion by the General Assembly of the United Nations on funding ASHI liabilities that have taken place in the interim (*ibid.*, paras. 110 to 113). The Advisory Committee further notes that the Board of Auditors would examine this issue in its next audit of UNHCR (A/66/5/Add.5, para. 41). The Advisory Committee will follow up on the issue in the context of its consideration of the next report of the Board of Auditors on UNHCR.

D. International Public Sector Accounting Standards (IPSAS)

20. The comments and recommendations by the Board of Auditors on UNHCR's progress toward the implementation of IPSAS are contained in paragraphs 65 to 88 of the report of the Board (A/66/5/Add.5), including project governance, implementation plan, revision of the Financial Rules for voluntary funds, development of draft model financial statements, audit of opening balances and managing the delivery of the full benefits of IPSAS. According to the Board, there is a significant risk that UNHCR will not be able to finalize the new policies and practices, communicate them to staff and establish them as working practice in time to successfully implement IPSAS in 2012 (*ibid.*, Chap. II, summary).

21. Measures taken or proposed in response to the recommendations by the Board on IPSAS preparedness are reflected in paragraphs 12, 14, 16, 53, 55 and 57 of UNHCR document A/AC.96/1099/Add.1. UNHCR further indicates in the proposed budget for 2012-2013 that it is committed to fully implement IPSAS as of 1 January 2012, with the aim of publishing IPSAS-compliant financial statements as of 31 December 2012. Major activities undertaken by UNHCR in 2011 are described in paragraph 108 of the budget document. The Advisory Committee is of the view that UNHCR should continue to intensify its efforts to ensure its preparedness for the full implementation of IPSAS.

E. Independent Audit and Oversight Committee

22. The Advisory Committee notes that the Standing Committee of UNHCR's Executive Committee adopted a decision to establish an Independent Audit and Oversight Committee (IAOC) to assist the High Commissioner and the Executive Committee in the exercise of their oversight responsibilities. The Standing

Committee also agreed on the Terms of Reference for IAOC, the criteria for its membership, as well as the procedure to be followed for the selection of the membership (*ibid.*, paras. 114 to 117). The Advisory Committee trusts that information with respect to the beneficial results from the work of the Independent Audit and Oversight Committee will be provided in future budget documents submitted to the Advisory Committee.

IV. Proposed revisions to UNHCR Financial Rules

23. The Advisory Committee has reviewed the UNHCR document on the “Proposed revision of the Financial Rules” (EC/62/SC/CRP.27). During its consideration of the report, the Committee exchanged views with the Board of Auditors regarding the proposed revisions to the UNHCR Financial Rules for voluntary funds due to the planned adoption of IPSAS by UNHCR from 1 January 2012.

24. The Advisory Committee recalls that, in its resolution 60/283, the General Assembly approved the adoption of IPSAS as the accounting standard for all United Nations organizations in replacement of the United Nations System Accounting Standards (UNSAS). UNHCR indicates that it has committed itself to full implementation of IPSAS as of 1 January 2012, and it is, therefore, necessary to align its Financial Rules for voluntary funds with IPSAS, in order to allow IPSAS-compliant Financial Rules to be in place before 1 January 2012 (*ibid.*, paras. 1 and 2). Annex I to document EC/62/SC/CRP.27 contains the proposed revisions to the Financial Rules, and annex II contains a draft decision on the proposed revisions for adoption by the Standing Committee in September 2011, so that the High Commissioner could seek endorsement of the revisions by the Executive Committee at its sixty-second session in October 2011 (*ibid.*, para. 3).

25. UNHCR further indicates that, in light of the fact that the United Nations Financial Regulations and Rules have not yet been revised in line with IPSAS, UNHCR is requesting approval from the General Assembly for UNHCR to continue to apply UNSAS-compliant United Nations Financial Regulations and Rules, “*mutatis mutandis*”, and in a manner that allows UNHCR to be IPSAS-compliant, until such time as the United Nations adopts IPSAS-compliant Financial Regulations and Rules (*ibid.*, para. 4). The General Assembly is yet to consider the request by UNHCR at its sixty-sixth session.

26. According to UNHCR, a draft of the proposed revisions was sent to the Board of Auditors and to the Office of Internal Oversight Services (OIOS) in June 2011 for comment (*ibid.*, para. 2). Upon enquiry, the Advisory Committee received copies of the correspondence from the Board and OIOS to UNHCR.

27. The Advisory Committee notes from the document that, in addition to the IPSAS-related changes, the proposed revisions also reflect two other amendments as follows (*ibid.*, para. 5 and annex I):

(a) The proposed deletion of Article 11.2 relating to loan operations, due to the closure of such operations some years ago. This revision was recommended by the Board of Auditors;

(b) Changes to the terminology regarding internal audit, as reflected in Article 12.1, which correspond to anticipated structural changes in the organization of internal audit at UNHCR (see paras. 31 to 33 below).

28. The Advisory Committee enquired as to whether legal opinions on the proposed revisions had been obtained either from the Office of Legal Affairs or

from UNHCR's own legal office, and the Committee was informed that such an opinion had not been sought. The Advisory Committee is of the view that a legal opinion on the proposed revisions should be provided to the Executive Committee at the time of its consideration of the proposed revisions to the UNHCR Financial Rules for voluntary funds.

29. The Advisory Committee has no major objections to the proposed revisions to UNHCR Financial Rules for voluntary funds. However, the Committee wishes to make comments regarding article 10.8 and article 12.1.

30. With respect to article 10.8 of the UNHCR Financial Rules, the Advisory Committee is of the view that the proposed change to "assets acquired from" UNHCR voluntary funds does not include other assets owned by UNHCR, such as gifts and contributions in kind, which should also be covered by the article. This view of the Advisory Committee was conveyed to UNHCR during the meeting. UNHCR indicated that it would review the proposal in order have a broader definition to include all types of UNHCR assets.

31. The Advisory Committee also notes the changes proposed for article 12.1, which replaces "the UNHCR Audit Section of the Office of Internal Oversight Service" with "internal auditors". The Advisory Committee enquired on the background and necessity for the changes proposed in Article 12.1 at this stage of consultations. The Committee was informed by UNHCR that OIOS had been providing UNHCR's internal audit services since 1995, which was guided by a Memorandum of Understanding between the two Offices (last revised in 2001), in addition to a Letter of Agreement (signed in 2007). However, UNHCR started discussions with OIOS from late 2010 on the possibility of bringing the internal audit function in-house. According to UNHCR, the two Offices had agreed to explore further the possibilities of transitioning to such an internal audit, and to work together to research, analyse and assess such a move. UNHCR indicated to the Advisory Committee that the proposed changes from "OIOS" to "internal auditors" was intended to allow either an OIOS-provided internal audit service or UNHCR's establishment of its own internal audit function.

32. UNHCR further indicated that OIOS provided mandatory internal audit services to organizations that were subject to the United Nations Financial Regulations, which was the case for UNHCR as provided for in its Statute (Chapter III, para. 21). The Advisory Committee also notes that one of the core functions of OIOS Geneva Office is to provide "internal audit services to UNHCR in accordance with article 12 of the Financial Rules for Voluntary Funds administered by the High Commissioner for Refugees (ST/SGB/2002/7, Sect. 8.3 (d)).

33. Taking into consideration the above, the Advisory Committee does not see the necessity of the changes proposed to article 12.1 at the current stage, when UNHCR is still in the process of exploring possibilities of having its own in-house audit function, albeit with the active and ongoing collaboration of OIOS.