

**Executive Committee of the  
High Commissioner's Programme**

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**Standing Committee**  
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**Report of the Independent Audit and Oversight  
Committee, 2019/2020***Summary*

At its fifty-first meeting in June 2011, the Standing Committee established the Independent Audit and Oversight Committee “to serve in an expert advisory capacity to assist the High Commissioner and the Executive Committee in exercising their oversight responsibilities in accordance with relevant best practices, industry standards and the financial and staff regulations applicable to UNHCR”. This is the eighth annual report of the Committee, covering the period from July 2019 to June 2020. It is submitted in accordance with section five of the Independent Audit and Oversight Committee’s terms of reference, EC/70/SC/CRP.5/Rev.1, annex I.

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## I. Introduction

1. The Independent Audit and Oversight Committee (IAOC), hereinafter also referred to as the Committee, comprises five members, selected and appointed by the High Commissioner with the consent of the Executive Committee. The current members are: Chairperson, Dr. Suresh Raj Sharma (Nepal); Vice-Chairperson, Ms. Malika Ait-Mohamed Parent (France); Mr. Honore Ndoko (Cameroon); Mr. Egbert Kaltenbach (Germany); and Ms. Bushra Mallik (Pakistan).
2. The Committee met in three formal sessions: from 21 to 23 October 2019 (twenty-second session) at UNHCR Headquarters in Geneva, Switzerland; virtually, from 16 to 18 March 2020 (twenty-third session); and virtually, from 22 to 24 June 2020 (twenty-fourth session). The Chairperson and the Vice-Chairperson participated in the fourth meeting of representatives of the United Nations system oversight committees, hosted by the United Nations Independent Audit Advisory Committee, from 11 to 12 December 2019.
3. Members of the IAOC, serving in an expert advisory capacity, are independent of UNHCR and its management. The Committee's work is guided by its terms of reference (EC/70/SC/CRP.5/Rev.1, annex I). It is an advisory body to assist the High Commissioner and the Executive Committee in exercising their oversight responsibilities. The Committee prioritized its work in accordance with the "three lines of defence" model of internal control and focused on external oversight; independent internal oversight (the third line of defence); management oversight (the second line of defence); and, operational oversight (the first line of defence) in that order.
4. The agenda for each session was based on an agreed workplan that included: the reviews of the workplan and the reports of external oversight bodies, namely the Board of Auditors and the Joint Inspection Unit of the United Nations; the workplan and reports of independent internal oversight bodies, namely the Inspector General's Office in UNHCR (including strategic oversight and investigations), the United Nations Office of Internal Oversight Services (OIOS) (which performs the internal audit function for UNHCR) and UNHCR's Evaluation Service; and, the performance of bodies responsible for managerial oversight (enterprise risk management, change management, financial and administrative management, information systems and technology, and strategic planning and results). The Committee also received a briefing by the Assistant High Commissioner (Operations) and reviewed UNHCR's arrangements to address the coronavirus disease (COVID-19) crisis.

## II. Reviews, conclusions and recommendations

5. The Committee was briefed by the High Commissioner and the Deputy High Commissioner at each of its sessions on ongoing developments in UNHCR.
6. The IAOC recognized the resilience and agility of UNHCR's business continuity plans and its crisis management and response during the COVID-19 pandemic. In particular, it noted the strategic leadership of the senior management team in addressing the crisis and staying on course with respect to reforms; the availability of robust technology systems that enabled remote working; and the continued support to the independent oversight process, as well as the facilitation of the work of the external auditors.
7. The Committee underscored that UNHCR must remain alert to the heightened risk of fraud and corruption, and appreciated the High Commissioner's assurances that appropriate tools were being utilized for oversight, including in the context of risk management.

### A. External oversight

#### 1. Board of Auditors

8. The Committee received briefings from the Board of Auditors at two of the three sessions. It discussed the Board's workplan and findings for the year 2019.

9. The IAOC recognized the diligence exercised by the Board of Auditors in implementing its workplan and was pleased that it had sought to limit overlaps with the work of OIOS, to the extent possible.

10. The external audit included a management audit of the decentralization and regionalization process. The Committee noted the confirmation of the Board of Auditors that the reform was effective as of January 2020 and concurred with its observation that the next step of the evaluation would be to assess the benefits to persons of concern to UNHCR. The Board of Auditors considered that the increase in the number of positions in the reconfigured regional bureaux was reflective of staff being located closer to the field, providing greater attention to persons of concern. The IAOC enquired about the contribution of management audits to the assessment of UNHCR's control environment and encouraged the Board of Auditors to explore the possibility of providing an integrated view on management audits.

11. The Committee noted from the briefing that the Board of Auditors was to issue an unqualified audit opinion on the financial statement.

12. Two issues in the Board's findings for 2019 were noted, namely the impact of the COVID-19 pandemic and the expenses of implementing partners. Regarding the former, the Committee noted a high level of donor support for UNHCR's work and with respect to the latter, noted that UNHCR and the Board of Auditors were working towards alternative way of verifying the expenses of implementing partners.

## **2. Joint Inspection Unit**

13. The Committee reviewed three reports issued by the Joint Inspection Unit during the reporting period on oversight committees, the investigation function and enterprise risk management. It provided comments and feedback on UNHCR's response to the reports and reviewed workplans to implement their recommendations. It noted that the reports of the Joint Inspection Unit had indicated that UNHCR was more advanced in these three areas compared to other organizations within the United Nations system.

## **B. Independent internal oversight**

### **1. Inspector General's Office**

14. The Committee was pleased that UNHCR's Inspector General had demonstrated effective leadership, having joined the organization during a challenging period with COVID-19 restrictions. It noted that the Inspector General's Office (IGO) had provided the senior management team with a consolidated overview of the options proposed by the various oversight bodies. This included a significant re-deployment of internal audit and evaluation resources to advisory engagements on COVID-19, specialized real-time reviews on key processes and audit engagements.

### **2. Strategic oversight**

15. The IAOC reviewed and provided advice on UNHCR's "Policy on independent oversight", which was issued in December 2019, and is expected to facilitate the delivery of a combined assurance by oversight functions. The Committee reviewed and appreciated the implementation of the data extraction tool that would facilitate the aggregation of oversight recommendations and the analysis of root causes. It also received a consolidated document on activities planned by the oversight bodies, as envisaged in the policy.

### **3. Investigations**

16. The Investigation Service had undergone a peer review and was in the process of implementing the recommendations. The workload of the Investigation Service remained heavy, and the ongoing roll-out of local feedback systems for persons of concern and the further deployment of risk advisors would likely increase the number of complaints to the IGO.

17. The IAOC noted with concern that a number of investigations of misconduct were stalled and discontinued when alleged victims declined to pursue their formal complaints. UNHCR was encouraged to explore alternative ways of addressing allegations of misconduct in these types of cases.

18. With regard to the rise in complaints related to sexual exploitation and abuse, and sexual harassment, a disproportionate increase was noted in complaints against implementing partners. The Committee expressed support for a joint approach with other United Nations entities to build the investigative capacity of implementing partners.

#### **4. Internal audit**

19. The Committee reviewed the internal audit workplan for 2020. It advised OIOS to explore the possibility of providing an advisory review of the organization's transformation process and related activities. It suggested that internal auditors systematically include an assessment of the impact of the transformation process in the planning and engagement of the audits of country offices. The Committee was subsequently informed that OIOS had included in its workplan an advisory engagement on the implementation of UNHCR's regionalization and decentralization process.

20. The workplan was adjusted due to the COVID-19 pandemic. The Committee appreciated that OIOS had pursued more creative modalities to advance its work as much as possible during the pandemic, using various remote auditing tools, including data analytics tools.

21. As a follow-up to the meeting of the United Nations oversight committees, the IAOC recommended an estimation of the risks covered by internal audit, which would provide a better view of the internal audit coverage of overall assurance. The Committee appreciated the efforts of OIOS to introduce the quantification of risks covered by internal audits, starting with field operations and gradually developing a methodology for operations and thematic issues at headquarters. It was noted that risk coverage was currently being assessed for three areas, namely field operations, bureaux and thematic issues, the separate indices of which would be aggregated later. The Committee indicated that the risk coverage for 2020 was 18 per cent and 19 per cent in the field and thematic audits respectively, which had been changed to 11 per cent and 28 per cent following adjustments to the workplan due to the pandemic.

22. The Committee reviewed the summary report of 2019 audits and the issues highlighted therein. It noted that it would be more useful to have a relative analysis of the areas that the internal audit examined and the issues that had been identified, rather than a comparison of the number of audits and their recommendations.

23. The Committee stated that OIOS had suspended the issuance of internal audit reports due to the pandemic and that no audit report had been issued in the first half of 2020. OIOS and UNHCR would need to identify a practical approach for the implementation of the recommendations of the reports, when finalized and issued. The Committee also took note of UNHCR's efforts to close audit recommendations in a timely manner.

#### **5. Evaluation**

24. The IAOC reviewed the workplan of the evaluation function. It observed that it was important to ensure that the workplan delivered quality evaluations that were valued for their conclusions as well as their strategic and operational relevance. The Committee noted that evaluation findings generally received timely attention and response from management and were incorporated into strategic and operational decisions.

25. The Committee encouraged the continuation of cooperation between evaluation and other oversight functions to avoid redundancies and to foster collective efforts towards comprehensive combined assurance between audits and evaluation. It stressed the need to ensure that the evaluation function was adjusted, in line with UNHCR's decentralization and regionalization process, to enable the regional bureaux to assume increased ownership of evaluation processes.

## **C. Management oversight**

### **1. Enterprise risk management**

26. The IAOC reviewed the plans and performance of the enterprise risk management function at each of its sessions. It noted that, considering the complexity of embedding risk management at all levels of operational responsibility, more time may be needed, beyond the two-year period initially assigned, to achieve the complete integration of the risk management system.

27. The IAOC took note of efforts to streamline action plans on corporate risks into operational workplans and emphasized the importance of extending the link to performance management systems, including the results-based management (RBM) and personnel appraisal systems.

28. The Committee observed that messaging at the senior management level had been a key enabler for positive developments in risk management and mitigation. It further noted that the strategic risk register included two new risks: those linked to global pandemics and risks related to the effects of climate change. The IAOC was pleased that operational risks and strategic ones were converging. Nonetheless, more work was required to mainstream enterprise risk management as part of performance and results-based management processes.

29. The Committee noted that an external review of the maturity of risk management had determined UNHCR to be “established” in this regard. Likewise, a recent review by the Joint Inspection Unit recognized a significant improvement in this area by UNHCR since its previous review in 2010.

### **2. Change management**

30. The IAOC received briefings from the change management team on its plans and achievements. The Committee noted that the decentralization and regionalization phase of the transformation process was well underway and emphasized the importance of system readiness to support the delegation of authorities. It observed that, while necessary procedures were put in place, there may still be a need to establish appropriate tools for a smoother workflow, including for resource allocation and budget management.

31. The Committee was of the opinion that it would be useful for the change governance board to receive a holistic overview of the ongoing initiatives and the related allocation of responsibilities and resources, expected timelines and expenditures. The IAOC provided input to the change management team on the preparation of such a report.

32. The Committee noted that the priorities of the decentralization process in 2020 included an investment in capacity-building, which encompassed work on the development of a human resources partner network across regions and support for the establishment of a supply network in the field (including local committees on contracts). In the coming months, it would be critical to adjust this model based on the assessment of its effectiveness.

### **3. Finance and administration**

33. The IAOC received briefings from the Division of Financial and Administrative Management (DFAM) at each of its sessions. The draft financial statements presented by the Controller for the year ended 31 December 2019 were reviewed and discussed. The Committee was satisfied that the draft statements and their accompanying notes were in compliance with the International Public Sector Accounting Standards.

34. The IAOC observed that the 2019 deficit was within an acceptable and manageable range, with limited impact on cash flows. However, in view of the uncertainties and anticipated shocks linked to the COVID-19 pandemic, it recommended reinforcing monitoring and making relevant adjustments to the financial performance as well as to the credit, foreign exchange and liquidity risk management in 2020-2021.

35. The Committee noted the potential changes in unfunded liabilities, particularly related to after-service health insurance (ASHI), when there is variation in the discount (interest) rates. It noted that the actuarial loss of \$124.7 million in 2019 was primarily due to the

combined effect of lower discounted rates and changes in inflation and currency mix assumptions. In due course, there should be an assessment of the impact of the COVID-19 pandemic on UNHCR's actuarial position. The Committee encouraged concerted efforts across the United Nations system to negotiate discounted rates.

36. The IAOC was satisfied with the revised accounting for the ASHI liability and its inclusion in the 2019 financial statement. It noted that the impact of the COVID-19 pandemic on the affiliate workforce might result in a significant and unprecedented increase of ex gratia payment.

37. The Committee encouraged the continuation of the Controller's efforts to minimize costs associated with the depreciation of good and services, irrecoverable value-added tax and uncollected receivables from donors.

38. Given the risks related to the activities carried out by implementing partners, the Committee encouraged further efforts to better monitor the performance of partners in financial and actual delivery, with an approach tailored to risk areas and levels.

39. The IAOC appreciated the agility demonstrated by DFAM in the COVID-19 response and the guidance provided on emergency procedures. It was clear that overall attention to risk had been present. It noted that DFAM would make necessary updates to the procedure once the situation allowed.

40. The Committee acknowledged the release of the statement on internal control and the underlying internal control self-assessment exercise, which reported a high level of compliance. It noted that similar compliance was needed in operationalization and not only in surveys. The Committee, therefore, encouraged the validation of self-reporting by the bureaux and internal audit, as part of their regular field visits.

#### **4. Strategic planning and results**

41. The Committee received a briefing about the Division of Strategic Planning and Results (DSPR), which was established in January 2020 as part of the headquarters re-organization. It welcomed the progress on the implementation of RBM in UNHCR, and took note of potential delays in the workplan due to the COVID-19 pandemic. The Committee recommended carrying out scenario planning to adjust timeframes and deliverables.

42. The IAOC was briefed on the linkages between the RBM project and internal as well as external stakeholders. It noted that as the organization moved towards multi-year planning, the key to success would be establishing a multi-year funding commitment model.

#### **5. Information systems and technology**

43. The Committee was briefed on the work of the Division of Information Systems and Technology (DIST) on the services provided during the pandemic and preparations to strengthen cyber security. It observed that capital investments in technology equipment and systems as well as in information security, had proven valuable. An opportunity seemed to exist for UNHCR to become more effective in its use of technology by consolidating the management of assets (such as computers, laptops and smartphones) and undertaking cost-benefit analysis when considering connectivity options.

44. The Committee encouraged DIST to update the guidelines on mandatory periodic briefings and trainings on cyber security risks.

#### **6. Operations**

45. The Assistant High Commissioner (Operations) briefed the IAOC about the decentralization and regionalization process, including its rationale, objectives and the progress made so far. The Committee agreed that decentralization was needed in order to improve the impact of UNHCR's work and that its prospects for success were increased due to enhanced technological support, the availability of tools and the organizational environment.

46. The IAOC encouraged UNHCR management to measure progress against specific targets, including financial objectives, once the process was complete. The Committee

stressed that management should remain cognizant of the difficulties involved in change processes, especially the fear of uncertainty felt by staff across the organization, for whom additional support might be required, particularly in multi-country offices. It suggested to hold a follow-up session in its upcoming meetings, particularly to discuss oversight and accountability aspects of the decentralization and regionalization process.

**D. Other matters**

47. The IAOC was consulted on the appointment of the Inspector General. It was presented with the description of the functions and the recommendations of the recruitment process. After deliberation by the IAOC, the Chairperson conveyed the Committee's advice to the High Commissioner.

48. The IAOC particularly appreciated the availability of the High Commissioner, the Deputy High Commissioner and other senior staff during the review process and during the challenging period of the COVID-19 crisis. It is thankful to the IAOC Secretariat for the documentation, organization and reporting on the sessions.

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