

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

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**Annual report of the Independent Audit and  
Oversight Committee for 2020-2021**

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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, Ms. Malika Aït-Mohamed Parent (France); Vice-Chairperson, Mr. Honore Ndoko (Cameroon); Mr. Egbert Kaltenbach (Germany); Ms. Bushra Mallik (Pakistan); and Dr. Suresh Raj Sharma (Nepal).
2. The Committee met in three formal sessions, all held virtually due to the restrictions imposed by the coronavirus disease (COVID-19) pandemic. The sessions were held from 4 to 6 November 2020 (twenty-fifth session); from 12 to 14 April 2021 (twenty-sixth session); and from 16 to 18 June 2021 (twenty-seventh session). The Chairperson and the Vice-Chairperson participated virtually in the fifth meeting of representatives of the United Nations system oversight committees, hosted by the United Nations Independent Audit Advisory Committee, from 11 to 12 December 2020.
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 IAOC prioritized its work in accordance with the "three lines" model of internal control and focused on external oversight; independent internal oversight (the third line); management oversight (the second line); and, operational oversight (the first line) in that order.
4. The agenda for each session was based on an agreed workplan that included: i) the reviews of the workplan and the reports of external oversight bodies, namely the United Nations Board of Auditors and the Joint Inspection Unit of the United Nations system; ii) the work plan and reports of independent internal oversight bodies, namely the Inspector General's Office (IGO) in UNHCR (including strategic oversight and investigations), the United Nations Office of Internal Oversight Services (OIOS) (which performs the internal audit function for UNHCR), UNHCR's Evaluation Service and Ombudsman; and iii) bodies responsible for managerial oversight (enterprise risk management; ethics; change management; financial and administrative management; emergency, security and supply; and strategic planning and results). The Committee also met with UNHCR's Staff Council.

## II Reviews, conclusions and observations

5. The IAOC was briefed by the High Commissioner and/or the Deputy High Commissioner at each of its sessions on ongoing developments in UNHCR.
6. The Committee affirmed the strategic leadership of UNHCR's senior management team in addressing the COVID-19 pandemic crisis and staying on course with respect to reforms; developing robust technology systems for remote working; and continuing its support to the independent oversight process, including the work of the external auditors.
7. It was underscored by the IAOC that UNHCR must remain alert to the heightened risk of fraud and corruption. It appreciated the High Commissioner's assurances that appropriate tools were being utilized for oversight, including in the context of risk management.
8. The Committee commented on some specific elements which still require strategic attention, including the need for on-site visits for certain missions (e.g. audit and investigation) and for consolidating systems for reporting misconduct. It noted with appreciation the focus on the outcomes of the audits of complex country contexts, and the commitment to implement recommendations and track accountability. It was advised that with regard to change management, continued attention needs to be given to the alignment at headquarters.

9. The Committee recognized the work achieved on UNHCR's integrity mapping. An action plan to address grievances would ensure better interaction between the Ombudsman, Ethics Office and the Division of Human Resources. Increased efforts would be made on diversity, including in the areas of gender parity and addressing racial discrimination. The IAOC renewed its advice for an ongoing assessment of cybersecurity risks and a mitigation plan and expressed its appreciation for initiatives related to reducing UNHCR's carbon footprint.

## **A. External oversight**

### **1. United Nations Board of Auditors**

10. The Committee received briefings from the Board of Auditors at all three sessions. It reviewed the external audit planning report for 2020, noting that all field audits were planned to be conducted as virtual visits. The Committee concurs with the view of the Board of Auditors that remote audits should be the exception, and that both internal and external auditors should resume in-person and on-site audits as soon as circumstances allow. It was noted that the uploading of documents in electronic format appears to have been inconsistent and generally occurred in response to audit requests. The Committee advised that management should see the pandemic as an opportunity to significantly expand its electronic storage and move to the uploading of all key documents in MSRP or its successor system. It concurred with the Board of Auditors that the business transformation programme, given its size, costs and complexity, will require audit attention, by both external and internal auditors, in the coming years.

11. The IAOC reviewed the completion report on the 2020 financial statements' audit and discussed preliminary findings and conclusions. It noted that the audit was executed as planned and that no extraordinary event was being reported. However, under restrictions due to the pandemic lockdown, some timelines for the receipt of information or responses from management were delayed. The external auditors have issued an unqualified audit opinion for 2020.

### **2. Joint Inspection Unit**

12. The IAOC contributed to ongoing reviews by the Joint Inspection Unit by responding to questionnaires relating to the ethics function and to business continuity. It looked forward to reviewing the final reports once released.

## **B. Independent internal oversight**

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

13. UNHCR's Inspector General presented a five-year strategy (2021-2026) of his Office. The Committee welcomed the strong focus on oversight mapping and coordination and was pleased to note that oversight providers regularly consult each other on the timing and scope of planned assignments. The Committee saw merit in closely coordinating the planning of the various oversight assignments. Such coordination is essential, considering reports of a widespread sense of "oversight burden" expressed by field operations and the regional bureaux, despite a reduction in the number of planned audit assignments and the need for using the resources in the most effective manner.

14. Regarding the status of open recommendations, the IAOC welcomed the exploration into a platform that could integrate all oversight recommendations; this would facilitate monitoring the implementation of recommendations by the regional bureaux and divisions.

#### *Strategic oversight*

15. It was recognized that strategic oversight has started to show results in terms of analysis and coordination. The Committee discussed with the Inspector General the meta-analysis of oversight findings from internal audits and evaluations, and the resulting fact sheets grouped by thematic areas. The Committee finds this way of presenting "combined

assurance” very useful, especially once external audit findings and management implication reports from investigations have been included. Strategic oversight reviews will add value when they involve a more in-depth analysis of root causes and possible solutions, thus going beyond compiling oversight results.

### *Investigations*

16. The IAOC reviewed the resource situation of the Investigation Service and noted that, while it has the required qualifications and expertise, its resources have not kept pace with the caseload development. It welcomed the planned strengthening of the information technology forensic capacity.

17. The Committee noted that diversity in the investigation workforce, not only at headquarters but also at the field level, could be further improved and encouraged additional efforts in this regard when filling existing and future vacancies.

18. The IAOC received an update on the complaints process from a cross-functional perspective, as well as an update on workplace challenges. It encouraged monitoring the actions taken both for internal UNHCR cases as well as those under the responsibility of implementing partners for investigation. As there appeared to exist parallel systems for reporting misconduct and other grievances, the Committee saw merit in exploring the feasibility of a consolidated organization-wide system as a “one-stop shop” for reporting misconduct.

## **2. Internal audit**

19. The Committee reviewed the internal audit planning process and the underlying risk assessment methodology for headquarters activities, regional bureaux and field operations. It was satisfied with the extensive use of quantitative indicators in combination with the necessary audit judgment. In response to earlier suggestions of the Committee, the UNHCR Audit Service, OIOS, has quantified the total risk of the audit universe and calculated the expected risk coverage of the audit plan to reach 18 per cent of the total risk in 2021. For future changes of the approved audit plan, OIOS will determine the impact on the intended risk coverage.

20. The IAOC reviewed the implementation of the 2021 internal audit work plan, noting that the implementation was behind schedule. This was attributed to challenges arising from remote auditing, delays in obtaining client comments on advisory assignments and vacancies in key positions. OIOS will make extra efforts to accelerate the implementation of the work plan and intends to resume audit field missions during the third quarter of 2021. Experience gained in remote auditing techniques is expected to increase audit efficiency and allow shorter audit missions. The Committee suggested that in addition to the number of assignments planned and delivered, OIOS should consider adding in its quarterly reports risk coverage indicators to measure performance and impact.

21. The Committee noted that the memorandum of understanding between UNHCR and OIOS on the provision of internal audit services has become due for review. The Committee saw the review as an opportunity to amend the memorandum to clarify the mutual roles and responsibilities, particularly the interaction between the IGO and OIOS. While OIOS is independent in managing the internal audit function, there may be room for specifying in more detail the expected deliverables and the indicators used to measure performance.

22. The Committee was informed that OIOS aims to progressively reduce its current focus on compliance issues since the regional bureaux, as “second line”, would play a stronger role in monitoring compliance. OIOS intends to place more focus on performance auditing, which the Committee supports.

## **3. Evaluation**

23. The IAOC viewed UNCHR senior management’s ownership of and attention to evaluation as being a best practice.

24. The evaluation cycle and centralized/decentralized evaluation plans were well-established. The Committee advised to focus on verifying the value and impact of evaluation

reports. It was noted that all evaluations completed during the last five years have been mapped against a results framework. It suggested working on a system of measurement of evaluations and on linkages with results-based management (RBM).

25. The current evaluation policy does not require tracking of the implementation of evaluation recommendations. The Committee encouraged consideration of a tracking system for recommendations connected to evaluation reports.

26. The IAOC observed that through the strategic framework, evaluation may gain in being more linked to risks. It advised that in due course management should consider an evaluation of the decentralization and regionalization initiative.

#### **4. Ombudsman**

27. The Committee received a presentation about the Ombudsman function and activities in UNHCR. It took note of the increase in cases received by the Ombudsman between 2018 and 2021, in particular from field staff (representing 80 per cent of current cases). The number of inquiries and cases reaching the Ombudsman outnumbered the cases investigated and sanctioned under the formal system. The Committee noted that one third of the cases from 2020 to March 2021 involved allegations of discrimination, sexual harassment, harassment, retaliation and abuse of power.

28. The IAOC encouraged building on the complementarity and synergy between the Ombudsman and the IGO, as investments in the informal system of grievance and conflict resolution, of which the Ombudsman's Office is an essential part, are likely to reduce the caseload of the formal integrity system.

### **C. Management oversight**

#### **1. Finance and administration**

29. The Committee received briefings from the Controller and Director of the Division of Financial and Administrative Management (DFAM) at each of its sessions. It appreciated the timely completion and continued high quality of the 2020 financial statements.

30. It was noted by the IAOC that key financial ratios are on a positive trend in 2020 compared to 2019 and this trend continues in the first quarter of 2021. The Committee, however, renewed its encouragement for continued attention to liquidity and solvency indicators, especially given the possibility of the recalibration of financing priorities of donor countries, under the ongoing challenges of the pandemic and the uncertainties of economic and fiscal recoveries.

31. The Committee observed that 89 per cent of contributions to UNHCR were earmarked in 2020, with about 10 per cent earmarked or repurposed for COVID-19-related activities. It appreciated management's continued commitment and efforts in maximizing the ratio of unrestricted contributions, in support of enhanced efficient fungibility and flexibility in addressing situations of rapid emergency response.

32. The IAOC discussed with the Controller the potential of new constraints and risks on the activities of implementing partners related to the pandemic. It would encourage a post-COVID-19 engagement with implementing partners with a sample assessment of their business, fiduciary and integrity challenges.

33. The Committee awaited the application of the new International Public Sector Accounting Standards (IPSAS) on the recognition and reporting of income and the unbundling of outer year earmarks from the yearly bottom line.

34. The Committee took note of the actuarial valuation of post-employment liabilities and the assumptions used by the independent actuary. It recommended including in future assumptions a long-term post-pandemic health impact factor, if evidence of such impacts were established. It was observed that the unfunded after-service health insurance (ASHI) liability showed an increase of about 30 per cent in 2020, reaching \$664.3 million. The IAOC

renewed its encouragement to UNHCR's steady commitment for a faster schedule to narrow the ASHI funding gap.

35. The Committee noted UNHCR's continued attention to managing risks related to liquidity, financial interest and foreign exchange rates. It also noted ongoing efforts to reduce banking exposure, and to mitigate risks in countries affected by increased volatility and risks in the banking and financial sector.

36. The IAOC appreciated the strong engagement of the Controller and DFAM in the business transformation process and recommended maximizing the adequacy of internal controls and the efficiency of the regionalization and decentralization through enabling processes and systems. It planned to have a regular agenda item on the enterprise resource planning progress and the critical transformation and modernization of the financial workflows, as well as the internal control and integrity systems.

## **2. Enterprise risk management**

37. The Committee met with the Head of Enterprise Risk Management (ERM) Service and her colleagues. It had received documents on the strategic risk register, and risk management 2025. It was noted that a paper on "risk appetite" is under development and will be available following internal review.

38. While the current identified risks remain valid, the Committee reminded that the risk register is a "living document" and considering changes in environment, such as the COVID-19 pandemic, new risks or a combination of risks may arise.

39. The IAOC will continue the discussion on risk sharing versus risk transfer in the context of "risk appetite". It observed that linking ERM with RBM is critical to assessing the impact of ERM outcomes and encouraged the ERM unit to continue to work closely with the RBM unit.

## **3. Change management**

40. The Committee met with the Director of Change and the Head of the Transformation and Change Service. It was pleased to learn of the consolidation of various change initiatives, together with timeframes and the financial outlay.

41. The IAOC emphasized the importance of cybersecurity considerations during the integration of systems in the cloud environment. It noted the efforts to engage regional bureaux directors and headquarters staff to enhance the knowledge and acceptability of changes. In this respect, the Committee encouraged the Change Management team to work with the Staff Council, in addition to expert staff to test the changes and to reach to all UNHCR staff on this subject.

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

42. Presented as part of the business transformation project, the new RBM system required several years of development and went live in June 2021. The Committee was informed that RBM will end as a distinct project as of June 2022, when the transfer of the work will have been completed and mainstreamed within the Division of Strategic Planning and Results.

43. An extensive training and capacity-building process has been developed to support operations with roll-out and using the software. The Committee remarked on the necessary agility needed from staff transition to the new system.

## **5. Ethics**

44. The Committee met with the outgoing Director of Ethics and discussed the evolution of the Ethics Office since its inception.

45. The Committee was informed that UNHCR plans to entrust the prima facie reviews of retaliation complaints to the IGO, while the overall responsibility for the implementation of the policy on prevention against retaliation will remain with the Ethics Office. The Committee cautioned that such transfer would constitute a departure from prevailing United

Nations system policies and suggested to raise the matter in the United Nations Ethics Committee before taking a final decision.

#### **6. Prevention of sexual exploitation and abuse**

46. The IAOC noted the encouraging progress made in i) addressing sexual and gender-based violence; and ii) the prevention of sexual exploitation and abuse, and sexual harassment since 2018, with a clear leadership commitment and an effective shift towards a victim-centered approach. Further insights will be obtained from studies leveraging data collation and data analysis on this subject. The Committee looked forward to seeing the impact of the new e-training on the prevention of sexual exploitation and abuse.

#### **7. Emergency, security and supply**

47. The IAOC noted that, while the primary focus of the Division of Emergency Security and Supply is the security of UNHCR personnel and partners, it is also linked to the protection of persons of concern to UNHCR. It was noted that the COVID-19 pandemic demonstrated that the organization's risk-management model was not targeted to the health crisis. The Committee would welcome a briefing on occupational health and safety at a future meeting.

### **D. Other**

#### **1. Staff Council**

48. The IAOC met with representatives of UNHCR's Staff Council. Given the organization's investment in the Staff Council by way of releasing two staff members for the duration of their tenure, the Committee would encourage fully utilizing the potential of the Staff Council by conducting regular meetings between the Council and management to discuss relevant issues, and to resolve certain conflicts between staff and management before they enter the formal process.

49. The Committee noted the efforts of management to include the technical and professional expertise of personnel in components of the change and transformation initiatives, and would encourage an increased contribution by the Staff Council to the internal advocacy and communication processes related to change management programmes. Further, it noted that staff-management relations could be enhanced with increasing the diversity among staff in functions that interact with staff concerns.

#### **2. IAOC self-assessment**

50. The IAOC undertook a self-assessment in line with the good practice discussed at the fifth annual meeting of the United Nations system oversight committees and the respective recommendations of the Joint Inspection Unit. The members of the Committee were satisfied that collectively they have the range of skills and professional credentials to assist the High Commissioner and the Executive Committee in their oversight responsibilities by providing independent senior-level advice on governance, efficiency, risk management, internal controls, audit and integrity.

51. Areas where further improvement could be envisaged include: providing advice and observations that are implementable, conducting "deep-dive" discussions on specific thematic topics with directors of divisions on an annual basis, as well as improving the self-assessment supporting survey and completing the self-assessment with a UNHCR management feedback survey.

#### **3. IAOC terms of reference**

52. The IAOC reviewed its terms of reference, as is required by the terms of reference. In the Committee's view, the current terms do not require any major changes. However, it submitted a number of proposed amendments to the High Commissioner for his consideration and approval. The proposed changes include reflecting the review of the ethics function in the collective experience required and removing or amending certain provisions that have become obsolete.



**4. Appreciation**

53. 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 assistance throughout the sessions.

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