

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

Distr.: Restricted
23 August 2023
English
Original: English and French

Standing Committee
Eighty-eighth meeting

**Annual report of the Independent Audit and
Oversight Committee for 2022-2023**

I. Introduction

1. The Independent Audit and Oversight Committee (hereafter “the Committee”), comprises five members, selected and appointed by the High Commissioner with the consent of the Executive Committee. The current members are: Ms. Bushra Malik (Pakistan, Chairperson); Ms. Carman Lapointe (Canada, Vice-Chairperson); Ms. Malika Ait-Mohamed Parent (France); Mr. Honoré Ndoko (Cameroon); and Dr. Suresh Raj Sharma (Nepal).
2. Members of the Committee serve as experts, independent of UNHCR and its management. The Committee’s work is guided by its terms of reference ([EC/73/SC/CRP.16](#), annex I). It is an advisory body that assists the High Commissioner and the Executive Committee in exercising their oversight responsibilities.
3. In the past year, the Committee met in three formal sessions, held in person in Geneva in November 2022, March 2023 and June 2023. The Chairperson and Vice-Chairperson also participated in the seventh annual meeting of the United Nations system oversight committees on 6 and 7 December 2022.
4. The agenda for each session was based on an agreed workplan that included: (i) the review of the workplan and reports of external oversight bodies, namely the United Nations Board of Auditors and the United Nations Joint Inspection Unit; (ii) the review of the workplan and reports of independent internal oversight bodies, namely UNHCR’s Inspector General’s Office (including strategic oversight and investigations), the United Nations Office of Internal Oversight Services (OIOS) (which performs the internal audit function for UNHCR), and the Evaluation Office of UNHCR; (iii) other independent entities (Ethics Office and Ombudsperson); and (iv) entities responsible for management oversight. The Committee met with the High Commissioner and/or the Deputy High Commissioner during each session to discuss its contributions and was briefed on ongoing developments in UNHCR.

II. Key conclusions and observations

A. General

5. The current reporting period saw a record number of forcibly displaced people (exceeding 108 million) and a restricted political climate for solutions. The Committee noted the pressure on the organization to deliver, often in difficult circumstances and with a continued gap between funds needed and received.
6. This situation presents a significant contextual risk factor to UNHCR operations. During the period, the Committee reviewed planning and prioritization of programmes, as well as fundraising initiatives to strengthen and expand the donor base and strategic positioning, to assess how the organization continues to maximize operational impact for forcibly displaced people including in hard-to-reach and unconventional places. The Committee is of the view that UNHCR is actively engaged in mitigating the risk to deliver its core mandate to the extent possible, while noting that the overall geo-political situation remains challenging.
7. At the same time, the transformation process within UNHCR continued, encompassing organizational restructuring and the business transformation programme, as well as upgrading operational information systems and processes. Again, the Committee is of the view that UNHCR has identified and is working to mitigate related – primarily internal – risks. Nevertheless, with such a complex set of inter-related system and process changes taking place contemporaneously, the residual risk inevitably remains potentially significant. As these initiatives reach roll-out (notably in the context of the business transformation programme) and maturity in the coming period, the Committee will continue to monitor functionality and impact.
8. The Committee noted the outputs of assurance work undertaken by the independent oversight entities during the reporting period. This included an unqualified audit opinion by

the Board of Auditors on UNHCR's financial statements for 2022, accompanied by matters arising and recommendations in their long form report, as well as the outputs of UNHCR's Internal Audit Service and the Evaluation Office. Taken together with the Committee's consultations with oversight and integrity entities and management counterparts during the year, the Committee is of the view that, while the fundamental functioning of independent and management oversight is in place, numerous areas for improvement have been identified. Therefore, the Committee continues to encourage UNHCR to take full advantage of opportunities to further strengthen accountability, internal controls and anti-fraud measures as part of the redesign of structures, systems and processes.

B. External oversight

1. United Nations Board of Auditors

9. The Committee received briefings from the United Nations Board of Auditors at each session, with the *Cour des Comptes* of France having started their tenure as the UNHCR external auditors, and regularly discussed the Board's preliminary findings.

10. The Committee was pleased to note that the Board issued an unqualified audit opinion on the UNHCR financial statements for 2022, thereby providing assurance that these financial statements and the underlying management oversight systems and controls in place ensure accountability. The Committee also noted the additional information and key findings set out in the Board's report, including the thematic reviews on risk management and procurement, and encourages UNHCR to proceed with the implementation of open recommendations.

2. United Nations Joint Inspection Unit

11. The Committee took note of the Joint Inspection Unit's work programme and reviewed and commented on the reports released during the period under review. The Committee was also briefed on the implementation by UNHCR of the Joint Inspection Unit's recommendations and did not note any issues of concern. It intends to meet again in person with the Joint Inspection Unit during the next period.

C. Independent internal oversight

1. Inspector General's Office

12. The Committee received regular updates from the Inspector-General at each session. It noted the active coordination of oversight planning, exercises and outputs among entities to deliver third line assurance and learning efficiently and effectively.

13. Regarding investigations, the Committee noted an ever-growing number of complaints received, interpreting this as a sign of increased trust in the system, and the resulting recalibration of the in-take function. Noting that approximately 10 per cent of complaints received are investigated and 40 per cent are referred to other entities, it suggested an assessment of whether this proportion is in line with other United Nations agencies.

14. The Committee expressed concern that full investigations in some cases could not be completed because key witnesses were unable or unwilling to provide testimonial evidence due to safety concerns. While acknowledging that this issue may apply across other United Nations agencies, the Committee stressed the need for continuing efforts to support and enhance the witness protection system.

15. The Committee was pleased to learn of recent capacity-building efforts, including leadership training for female investigators, fraud awareness activities and regional workshops for partners. It also noted the value of management implication reports as learning resources arising from investigations.

16. The Committee noted that additional resources were being allocated to fraud prevention and informed UNHCR it expected further progress updates on measures to strengthen the prevention of fraud and misconduct in the coming period.

2. Internal audit

17. The Committee was briefed by UNHCR's Internal Audit Service (OIOS) during each session and reviewed the 2023 workplan. The Committee continued to encourage OIOS to develop and implement its workplan in terms of organizational risks coverage.

18. The Committee acknowledged the streamlining of terminology used by OIOS and UNHCR's Enterprise Risk Management Service to rank risks for country operations and bureaux, with consideration of a similar unified approach to risk among headquarters entities to come in the next period.

19. Regarding the development of an Audit Charter and revised Memorandum of Understanding which would further clarify and refine internal audit arrangements, the Committee noted that UNHCR and OIOS have each drafted versions of the two documents for mutual consideration. While encouraging further discussion to achieve consensus, the Committee advised that the Charter should be issued by the High Commissioner, while the separate Memorandum of Understanding should be signed between UNHCR and OIOS for the provision of the internal audit services under the Charter.

3. Evaluation

20. The Committee noted the issuance of a revised Evaluation Policy in October 2022 and was briefed on the development of a concomitant five-year strategy, expected to be finalized in the coming period.

21. The Committee was also briefed on the centralized evaluation plan for 2023 and discussed an initial long list of topics for 2024 and 2025. It appreciated the implementation of the 2022 peer review's recommendation that evaluation recommendations should be tracked for follow-up and will seek to monitor this in the coming period. The Committee will also seek to clarify independence and accountability and will review the overall coherence of centralized and decentralized evaluations toward building organizational learning and assurance.

22. The Committee looked forward to reviewing the outcomes of the current review by the Multilateral Organisation Performance Assessment Network (MOPAN).

D. Management oversight

4. Financial management and administration

23. The Committee noted the endorsement of the revised UNHCR Financial Rules by the Executive Committee in October 2022, to which it had provided feedback in the drafting process.

24. The Committee was briefed on UNHCR's 2022 financial statements. Overall, the funding and financial position was noted as solid, although an increased trend of earmarking toward new emergencies presents risks to the sustainability of funding for longer-term operations. A significant increase in cash-based interventions was noted as well as increased inventories at year-end, primarily related to the Ukraine emergency response.

25. The departure from International Public Sector Accounting Standards in the presentation of the Staff Benefit Fund (documented through a note in the financial statements) was discussed, with agreement on the overriding principle that the financial statements should present a true and fair view of the organization's financial position and performance.

26. The Committee observed that continued audit-like interventions by individual donors in programmes and activities could quite often duplicate efforts and cost. The Committee advises the Executive Committee to encourage members and donors to accept for their fiduciary and oversight due diligence, the assurance given by the Sovereign Audit Institution of member States appointed as external auditors of UNHCR.

5. Enterprise risk management

27. The Committee noted the OIOS advisory and Board of Auditors' thematic review of risk management during the period, which both acknowledged the progress of UNHCR in this area while prompting further progress toward risk maturity, notably in articulating risk appetite.

28. The Committee was informed of further concrete steps taken by UNHCR in developing risk management, including a comprehensive review of the Strategic Risk Register to include key risk and control indicators by which to gauge trends and status. The Committee encouraged UNHCR to develop a method to assess and measure the impact of enterprise risk management in the organization.

6. Change management

29. The Committee was regularly updated on the status and progress, challenges and risks related to the business transformation programme. The Director of the Division of Human Resources noted strong uptake and general user acceptance for regular transactions following the launch of the cloud-based human resources system Workday in October 2022, while some managers required additional support to navigate the system for more complex processes such as recruitment. Regarding performance management, the Evolve component of Workday was presented as a more user-friendly interface than the preceding e-Pad platform, although the Committee noted that the institutional culture remained a broader issue impeding effective performance management.

30. Regarding the internal audit of the business transformation programme, management expressed appreciation for early advice provided by OIOS prior to formal reporting, enabling UNHCR to take this into consideration as the remaining components of the programme approach roll-out scheduled for September 2023. The Committee again encouraged UNHCR to fully realize opportunities for enhanced internal controls, fraud prevention and detection, and management information and oversight systems. It noted the importance of ensuring that all projects be fully integrated to deliver a positive cumulative impact on the organization's efficiency and effectiveness.

31. The Committee was pleased to hear of plans to assess impact gains of the business transformation programme. Key performance indicators have been developed with a view to providing an initial impact assessment of Workday and COMPASS by the end of 2023, as well as a methodology for subsequent impact assessments of the Cloud Enterprise Resource Planning system and other components of the business transformation programme.

32. The Committee was updated by the Director of the Division of Strategic Planning and Results on the cost impact of the decentralization and regionalization process. The Director advised that, overall, the restructuring may be gauged as cost neutral, but this included diverse patterns across individual bureaux and headquarters entities according to particular circumstances. The Committee acknowledged this assessment and noted that the headquarters alignment is still in process. It considered that it may be advisable to reduce the proportion of headquarters costs as appropriate in the longer term.

33. During the reporting period, the Committee met with the Directors and senior management of three of the seven regional bureaux (having met with three others in the previous reporting period). The bureaux cited several benefits of the decentralization and regionalization process such as proximity to field operations, enhanced planning, and response to emerging developments. However, some aspects of the second line oversight role still appeared unclear in practice.

34. The Committee continued to encourage UNHCR to review its accountability framework as a whole, as the components of the change agenda are rolled out, to ensure that they align at all levels and across functions.

7. External relations, including fundraising

35. The Committee was briefed by the Director of the Division of External Relations on funding trends and fundraising strategies. The approved budget for UNHCR was 57 per cent funded in 2022, which was a historic high, but needs nevertheless continued to far outstrip

funding, earmarking levels continue to increase year-on-year, and rising inflation rates are pushing up expenses.

36. Regarding expansion of the funding base for UNHCR, it was noted that three donors provided 43 per cent of total funding. However, private-sector partnerships – and in particular national societies’ contributions – have been growing strongly, providing a major source of flexible (unearmarked) funds. The Committee discussed several aspects of fundraising and resource mobilization, including links with climate-generated migration and other new initiatives, to diversify fundraising and develop the funding portfolio.

8. Strategic planning, including workforce planning

37. The Committee held a joint meeting on strategic planning, during which the Director of the Division of Strategic Planning and Results provided a comprehensive briefing on developments in planning, budgeting and results-based management, noting that the 2022 Global Report was for the first time based on the results-based management outcome and impact categories. Noting also the recent launch of results-based management core output indicators to be used for the first time in 2024, the Committee emphasized the importance of high-quality data at the output level as a foundation for results-based management and reporting.

38. Noting current funding patterns, the Committee discussed the process of adjusting plans and budgets as funding is received and allocated through the year and as operational priorities change.

39. The Director of the Division of Human Resources briefed on the workforce aspects of planning and budgeting, advising on the development of a workforce strategy and guidance. The Committee was informed that a Handbook for Workforce Planning had just been finalized, to be part of the overall programme handbook, and included staffing indicators to help operations plan an appropriate staffing structure (including shifts from Operations Plan to Operating Level). Position planning is also being increasingly integrated in overall planning and budgeting.

9. Information and communications technology

40. The Committee was briefed on the 2023 Policy on Information Security, which established the new position of Chief Information Security Officer and set out accountabilities, assurance processes and a risk-based approach. It appreciated the roll-out of Multi-Factor Authentication and recognized the advantages of adopting cloud-based solutions with strong levels of security. It also noted risks related to offline and unsecured applications across operations as well as relatively unrestricted access for staff to upload software on office computers, and requested a comprehensive plan to address information technology security weak entry points and blind spots. The Committee advised to review and phase out stand-alone information technology systems which pose cyber security risks. Such review should be associated with an estimate of cost saving and efficiency including from a rationalization of license fees.

41. The Committee noted with appreciation progress made in the pooling of resources and approval of capital funding for information and communication technology equipment. It continued to encourage UNHCR to explore cost-effective options for modernization of connectivity and access with broadband internet, including new solutions provided by low earth satellite constellations.

10. Workplace concerns

42. During this period, the Committee also convened a joint session on internal redress mechanisms, with participation from the Ethics Office, Ombudsperson, the Division of Human Resources and Inspector General’s Office. They reported that regular coordination meetings of focal points participating in the Support Desk for Workplace Concerns were efficient and productive in allocating workforce complaints for follow-up as appropriate.

43. Noting the low rate of reports coming through the Speak Up helpline and the proposal to undertake a cost/benefit analysis of this outsourced resource, the Committee requested an

update in due course. It also sought an update in future on the newly established senior position within the Division of Human Resources to assist managers in responding to workplace conflicts.

44. The Committee also met with the outgoing Director of the Ethics Office and received a briefing on protection against retaliation, noting that case reporting has been increasing and that a one-year review of policy implementation would be undertaken as a lessons-learned exercise.

III. Other matters

45. The Committee met with the Chairperson of the Executive Committee in November 2022 and with the Executive Committee Bureau in June 2023. The mutual roles of the Committee and the Bureau were discussed, as well as issues of common interest and major oversight-related themes. Both agreed that it would be mutually beneficial to meet on an annual basis in the future.

46. During this reporting period, in addition to its annual self-assessment exercise, the Committee undertook a stakeholder survey amongst UNHCR senior management. The majority of participants positively rated the Committee's work and approach as useful and adding value, while some suggestions were also received, which the Committee will take into account as it plans and conducts its future work.

47. The Committee would like to express its appreciation for the availability of the High Commissioner and the Deputy High Commissioner, as well as the participation of other senior staff, during its three sessions. It is grateful to the Committee's Secretariat for the support provided throughout the reporting period.
