

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

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Standing Committee
Eight-fifth meeting

**Annual report of the Independent Audit and
Oversight Committee for 2021-2022**

I. Introduction

1. The Independent Audit and Oversight Committee, 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: Mr. Honoré Ndoko (Cameroon, Chairperson); Ms. Bushra Malik (Pakistan, Vice-Chairperson); Ms. Malika Aït-Mohamed Parent (France); Mr. Egbert Kaltenbach (Germany); 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: 10-13 November 2021 (twenty-eighth session, in person, Geneva); 15-18 March 2022 (twenty-ninth session, virtual); and 20-22 June 2022 (thirtieth session, in person, Geneva). The Chairperson and the Vice-Chairperson also participated virtually in the sixth annual meeting of the United Nations system oversight committees on 7-8 December 2021.
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 (which performs the internal audit function for UNHCR), and UNHCR's Evaluation Service and Ombudsman; and (iii) entities responsible for management oversight. The Committee was briefed by the High Commissioner and/or the Deputy High Commissioner during each session on ongoing developments in UNHCR.

II. Key conclusions and observations

A. General

5. The current reporting period was an extraordinary one. As the world began to emerge from the crisis phase of the coronavirus disease (COVID-19) pandemic, new major crises erupted in Afghanistan, Ethiopia and Ukraine. By May 2022, the total number of people forcibly displaced globally exceeded 100 million for the first time in history. All of this presented unprecedented challenges for the humanitarian system and UNHCR. At the same time, within UNHCR, the internal transformation process continued, encompassing organizational restructuring and the business transformation programme, as well as upgrading operational data systems and processes.
6. In this context, the Committee recognized the continued efforts of UNHCR in strengthening internal controls and fraud prevention and detection, including by enhancing cybersecurity and by launching a fraud risk tool. It also re-emphasized the importance of taking full advantage of opportunities to further strengthen accountability, internal controls and anti-fraud measures as part of the business transformation programme in the redesign of structures, systems and processes. While the roll-out of the business transformation programme may add a temporary burden on UNHCR, it is expected to yield results in terms of the simplification of processes and improved management information systems. The Committee will continue to monitor this closely.
7. As part of its monitoring of the decentralization and regionalization process, the Committee met with three of the seven regional bureaux during the reporting period. The Committee recognized that the regional bureaux are making an impact in bringing decision-making closer to the field and that further clarification of the roles between Headquarters and regional bureaux is needed. This may be elucidated in the ongoing process of the structural alignment of Headquarters to the new bureau structure. The Committee was also informed

of draft revisions to UNHCR's Emergency Policy to, *inter alia*, clarify roles and responsibilities following the restructuring of bureaux.

8. The impact of the COVID-19 pandemic has gradually diminished during this period, and the Committee noted with appreciation the resumption of greater on-site presence by oversight entities and the UNHCR workforce, which is crucial. With the COVID-19 pandemic prompting innovations in remote working mechanisms, including remote audit techniques, it may be an appropriate time to gather lessons learned on remote oversight and monitoring, as well as on staff well-being issues and responses.

9. The well-being of persons of concern is central to UNHCR's mandate. The Committee noted with appreciation the focus and engagement in this area, including through dedicated resources and senior-level commitment on the prevention of, and response to, sexual exploitation and abuse and sexual harassment, and encouraged UNHCR to maintain as a priority a victim-centred approach in its operations. The Committee commended UNHCR on the high level of training among peer advisors and focal points working on the protection from sexual exploitation and abuse, and the strong completion rates by the workforce of mandatory e-learning. The Committee also agreed to the importance of extending guidance, support and training to implementing partner staff.

10. While the overall funding environment remains quite fragile, UNHCR continues to attract sufficient levels of funding to enable relatively stable resource allocation to operations. However, the Committee noted that the relative dependency on a limited number of donor countries, a multi-year trend of increased earmarking of donor contributions, and the potential impact of the Ukraine emergency on the funding of other emergencies, as well as the effects of food insecurity and economic instability, all constitute risk factors for UNHCR's future funding and operations. UNHCR has recognized this, and it has made progress in the advocacy for, and diversification of, funding beyond traditional sources, notably through private sector fundraising initiatives, joint United Nations campaigns, cooperation with the World Bank, and linkages to new and emerging displacement factors such as climate change. Nevertheless, the risk is significant and may fundamentally impact UNHCR's ability to deliver on its mandate. Therefore, the Committee encouraged UNHCR to continue to focus on the challenging funding environment as a priority.

B. External oversight

1. United Nations Board of Auditors

11. The Committee received briefings from the Board of Auditors at all three sessions and regularly discussed the Board's preliminary findings. It noted a partial resumption to in-person field audits throughout the audit process for UNHCR's 2021 financial statements, alongside continued virtual visits necessitated by COVID-19.

12. The Committee was pleased to note that the external auditors issued an unqualified audit opinion for 2021. This is notable, as it provides assurance that UNHCR's financial statements and the underlying management oversight systems and controls in place ensure accountability. The Committee also noted commendable progress in closing open recommendations from previous years.

13. Recognizing the end of tenure of the Auditor-General of Germany on the United Nations Board of Auditors as of 30 June 2022, the Committee noted with appreciation the professional standard of audit work undertaken by the team. The Committee held introductory discussions with the in-coming Board member, the *Cour des Comptes* (Court of Accounts) of France, and looked forward to a continuing productive relationship with the Board of Auditors.

2. United Nations Joint Inspection Unit

14. The Committee met with the Joint Inspection Unit, which updated the Committee on the status of ongoing reviews from its 2021 programme of work and 2022 workplan. The meeting also included a discussion on the growing prevalence and increasing normalization

of remote/online digitalized governance and oversight assurance work, which has been triggered by COVID-19 restrictions.

15. The Committee contributed to ongoing reviews by responding to the Joint Inspection Unit questionnaires relating to business continuity policies and practices and the ethics function in the United Nations system. The Committee also expressed interest in the current review of accountability frameworks.

C. Independent internal oversight

1. Inspector General's Office

16. The Committee noted with appreciation that the Inspector-General's Office strengthened oversight coordination during the reporting period, including through regular quarterly meetings of internal and external independent oversight entities to discuss plans, priorities and reports. These efforts were complemented by thematic consultations to ensure appropriate coverage of emerging risks, such as those that may be related to the Ukraine emergency.

17. The Committee welcomed the launch in 2022 of a consolidated platform tracking recommendations from key oversight entities and facilitating strategic analysis (by owner, age, theme, location, etc.), thereby enabling managers to monitor the implementation status and follow up accordingly. This is complemented by a tool consolidating oversight workplans, which assists with mapping oversight and assurance exercises as well as planning for oversight activities in respective areas of responsibility.

18. With regard to the investigations of allegations of misconduct, the Committee received a briefing on the end-to-end process flow. Noting that approximately 10 per cent of complaints received resulted in investigations, it recognized progress made in clearing a backlog of complaints and in reducing the timeframe for assessing and responding to complaints.

19. The Committee also reviewed the disciplinary process carried out by the Legal Affairs Service and the Division of Human Resources. The process reflected a high level of due diligence and collaboration, ensuring professional and effective advice for decision-making on disciplinary matters. The Committee took note of the 2021 report on the "Practice of the High Commissioner in disciplinary matters and cases of criminal behaviour" and commended UNHCR on the clarity and information value of this report, which it considers a best practice in the UN system and an effective tool for transparency.

2. Internal audit

20. The Committee met with the UNHCR Internal Audit Service during all three of its sessions. The Committee welcomed the improved methodology in risk-based audit planning, which adjusts the risk coverage metrics for any change to the original workplan and can be linked with the level of assurance to be provided through the availability of resources. In order to enable the Committee to advise the High Commissioner prior to his endorsement of the workplan for 2023, the Committee expects that the UNHCR Internal Audit Service will submit its draft workplan during the Committee's November 2022 session.

21. The Committee encouraged UNHCR and the Office of Internal Oversight Services to use the opportunity provided by a scheduled review of the memorandum of understanding to engage in substantive discussions to clarify the engagement, including some key performance indicators. It considered that an internal audit charter may also be developed jointly by UNHCR and the Office of Internal Oversight Services, to be approved by the High Commissioner and the Under-Secretary-General of the Office of Internal Oversight Services, as a basis of the professional relationship between the two entities.

3. Evaluation

22. The Committee met with the Evaluation Service twice during this reporting period. It acknowledged that the evaluation function in UNHCR is operating satisfactorily and is

supported by its increased decentralized engagement through positions based in the regional bureaux. The Committee noted the distinction between independent (the third line) evaluations managed by the Evaluation Service centrally and decentralized (the second line) evaluations undertaken by the headquarters divisions, regional bureaux and country operations.

23. Regarding the peer review of UNHCR's evaluation function by the United Nations Evaluation Group and the Development Assistance Committee of the Organisation for Economic Co-operation and Development, the Committee discussed the recommendations relating to its own role on evaluation matters and concluded that its current role was appropriate. It supported the peer review's recommendation that evaluation recommendations should be tracked for follow-up. The Committee also supported the Evaluation Service's intention to design practical and implementable recommendations enabling meaningful management action, and advised that reports and key findings should be drafted and distributed to facilitate learning as broadly as possible.

24. The Committee is also available to advise on the revision of the Evaluation Policy as well as the updated evaluation workplan and strategy.

4. Ombudsman

25. The Committee welcomed the opportunity to meet with the newly appointed Ombudsman and noted that this was the first external appointment of a specialist to the position. The Committee discussed the Ombudsman's function and activities in UNHCR and plans to increase outreach to the field.

26. The Committee also recognized that professional staff working in the Ombudsman's office are all certified mediators (a unique concentration of expertise), noting that the mediation approach is most suitable for early intervention to reach an informal resolution of issues and concerns before these are escalated to more formal mechanisms. The Committee encouraged ongoing efforts to strengthen managerial competencies in pre-emptively addressing the root causes of workplace issues and difficulties.

D. Management oversight

1. Financial management and administration

27. The Committee expressed appreciation for the timely completion and continued high quality of UNHCR's 2021 financial statements. It observed that although funding levels and key financial ratios remained steady, the level of earmarked contributions was high, and UNHCR heavily relied on a small group of donors. Noting the continuing instability of the global economy, the Committee acknowledged the importance of diversifying funding sources and urged continued attention to liquidity and solvency indicators.

28. The Committee took note of the actuarial valuation of post-employment liabilities and the assumptions used by the independent actuary, and renewed its encouragement to UNHCR's steady commitment for a faster timetable to narrow the funding gap for after-service health insurance.

29. Finally, the Committee noted with interest innovations in delivery support systems for the Ukraine emergency, including a regional cash hub and payment hub for cash-based interventions and transaction payments. It encouraged UNHCR to evaluate the potential replicability of such innovations in other operations.

2. Enterprise risk management

30. The Committee discussed UNHCR's 2025 risk strategy, which aims to further embed a risk culture in the organization and which includes the development of a risk appetite statement, as well as key risk and key control indicators as practical tools to monitor and manage risk across the organization. The Committee considered this a move towards an advanced level of risk maturity, and it looked forward to further progress in this area.

31. The Committee noted with appreciation that the 2022 risk framework had been aligned with the results-based management framework, providing a direct link between objectives and risks. It also noted with appreciation the development of risk tools for various areas of work, including fraud and emergency response.

3. Change management

32. The Committee was regularly briefed by the Director of Change and the Transformation and Change Service on the status and progress of decentralization and regionalization, and the business transformation programme. The Committee encouraged UNHCR to track and monitor the costs of these transformation processes.

33. As the design phase of various components of the business transformation programme near completion, prior to their roll-out during the coming year, the Committee 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.

34. The Committee encouraged UNHCR to proceed with the headquarters alignment phase of the decentralization and regionalization process in order to clarify the roles between Headquarters and regional bureaux regarding, *inter alia*, second line oversight and to adjust the size of Headquarters accordingly. The Committee acknowledged that decentralization and regionalization, and the business transformation programme, entail significant changes in organizational structures and processes, with impact on accountabilities throughout the organization. It acknowledged efforts to reflect such changes in revised roles, accountabilities and authorities by function at the headquarters, regional bureau and field levels. The Committee encouraged UNHCR to review its accountability framework as a whole to ensure that the various components align at all levels and across functions.

4. Information and communications technology

35. The Committee noted that emergency situations are high-risk environments, also in terms of cybersecurity. In this context, it discussed cybersecurity risks and initiatives, including investments in an incident detection and response system, a 24/7 Security Operations Centre and the roll-out of multi-factor authentication for access control. It advised UNHCR to continue to push for the full roll-out of multi-factor authentication as well as mandatory training, including regular refreshers on cybersecurity. The Committee also discussed relevant reports of the Office of Internal Oversight Services and Joint Inspection Unit related to cybersecurity, and the development of an information security policy incorporating recommendations contained in those reports.

36. The Committee noted good progress in replacing obsolete information technology equipment, and supported the initiative for a central capital budget investment which enhances efficiency, as well as coordination and standardization.

37. Finally, the Committee acknowledged the important contribution by the Division of Information Systems and Telecommunications to the business transformation programme at project and programme levels, helping to ensure cross-project consistency and integration.

5. Results-based management and reporting

38. The Committee had a discussion with the Division of Strategic Planning and Results on the platform underpinning UNHCR's results-based management framework known as COMPASS, as well as on the toolset known as PROMS that improves monitoring, oversight and reporting of programme delivery, including directly and through implementing partners.

39. The Committee noted that the full utility of COMPASS would only be realized following integration with the new enterprise resource planning (ERP) system for finance and supply chain, known as Cloud ERP, and other new systems that are being developed in the context of the business transformation programme. It also noted that while outputs can generally be measured annually as part of regular reporting processes, measuring outcomes and impact may be more complex and lengthier. The Committee looked forward to

monitoring impact in the future, as well as to seeing improved financial and operational reporting of implementing partners and the incorporation of mitigating actions as part of enterprise risk management.

40. The Committee considered that the project, reporting, oversight and monitoring solution (PROMS), which is currently under development and scheduled for roll-out in 2023, showed potential in providing simplifications and improvements in programme management at field level, with enhanced qualitative reporting upward through the results-based management chain. The Committee considered this a primary objective of organizational transformation and will continue to monitor this initiative with interest. It also noted the importance of the quality of data input in determining the quality of reporting results and urged UNHCR to continue to emphasize the need for data quality at source.

6. Ethics

41. The Committee welcomed the opportunity to meet with the incoming Director of the Ethics Office and noted that relevant policy and procedural revisions are under way.

42. The Committee noted the transfer of prima facie reviews and triage of complaints from the Ethics Office to the Inspector General's Office, while the overall responsibility for the implementation of the policy on prevention against retaliation remains with the Ethics Office.

43. The Committee acknowledged with appreciation the establishment of a multi-entity complaints referral system for reporting workplace-related concerns and complaints to ensure effective triage and timely follow-up and response. The Committee expected this to improve efficiency and effectiveness in dealing with complaints received, and looked forward to an update on statistics and functioning in due course.

7. Human resources

44. The Committee discussed the Division of Human Resources' strategy and key initiatives, including the roll-out plan for a new platform for human resources, known as Workday. This platform is designed to simplify core human resources processes and improve the management information system that will enhance access and efficiency of human resources management at all levels, from transactional activities to strategic planning. The Committee will monitor the implementation and roll-out of Workday in its future meetings, including inter-operability with other systems that are being developed in the context of the business transformation programme.

45. The Committee was also informed of initiatives related to talent management and diversity and inclusion, which should remain a key management priority.

46. The Committee suggested that staff surveys continue to be used as a tool for conducting an organizational "health check", with shorter and frequent surveys to improve response rates with a view to leading to an open organizational culture of sharing and learning.

III. Other matters

A. Annual self-assessment

47. The Committee completed its 2022 self-assessment and discussed the findings. The members of the Committee were satisfied once again that they collectively 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 and integrity. The members agreed to continue their efforts to value and build on team spirit, trust, peer learning, knowledge-sharing and complementarity. They emphasized the preference for a strategic, holistic and weighted approach to risks and oversight. The members also agreed that formal

feedback from UNHCR senior management would complement and add value to the Committee's self-assessment.

B. Review of terms of reference

48. As stipulated in its terms of reference, the Committee reviewed its terms of reference during the preceding year and submitted a number of proposed amendments to the High Commissioner for his consideration and approval. The proposed changes were approved at the eighty-fourth meeting of the Standing Committee in June 2022 ([EC/73/SC/CRP.16](#), annex I).

C. Appreciation

49. 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 documentation, organization and assistance provided throughout the reporting period.
