

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

Distr.: Restricted
31 August 2016
English
Original: English and French

Standing Committee
67th meeting

**Report of the Independent Audit and Oversight
Committee, 2015-2016**

Summary

At its fifty-first meeting in June 2011, the Standing Committee established the Independent Audit and Oversight Committee to “assist the High Commissioner and the Executive Committee in the exercise of their oversight responsibilities in accordance with relevant best practices, industry standards and the financial rules and staff regulations and rules applicable to UNHCR” ([A/AC.96/1104](#), Annex II). This is the Committee’s fourth annual report, covering the period from July 2015 through June 2016.

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I. Introduction

1. The Independent Audit and Oversight Committee (IAOC), hereafter referred to as the Committee, was established by decision of the Standing Committee in June 2011.¹ The High Commissioner, with the consent of the Executive Committee, appointed the following five members: Ms. Lynn Haight (Canada); Mr. Sallepan Kandasamy (Malaysia); Mr. Sam Karuhanga (Uganda/United Kingdom); Mr. Verasak Liengsrirawat (Thailand); and Ms. Mari Simonen (Finland). All IAOC members are independent of UNHCR and its management.

2. The Committee serves in an expert advisory capacity to assist the High Commissioner and the Executive Committee in exercising their respective oversight responsibilities. The Committee's work in providing independent senior-level advice is guided by: its terms of reference²; UNHCR's policies; financial and staff regulations and rules applicable to UNHCR; as well as relevant industry standards and best practices. In discharging its function, the Committee has engaged in reviewing: (i) the processes applied to the planning of oversight activities within UNHCR and the execution of work plans; (ii) the adequacy of resources applied to oversight activities; (iii) the outcome of oversight activities and management responses thereto; and (iv) policies, procedures and internal controls for the management of organizational risks and enhancement of performance and accountability.

3. This is the Committee's fourth annual report, pursuant to Section 5 of its terms of reference, covering the period from July 2015 to June 2016.

II. Summary of activities

4. During the reporting period, the Committee met in three formal sessions at UNHCR's Headquarters, in October 2015 and in February and June 2016. Ms. Haight acted as Chairperson of the Committee, and Mr. Kandasamy as Vice-Chairperson. The Committee adopted its 2016 work plan at the February session. During its formal sessions, the Committee reviewed several areas, including: the internal audit function carried out by the Internal Audit Division of the United Nations Office of Internal Oversight Services (OIOS) in Geneva and the external audit carried out by the United Nations Board of Auditors. It also considered internal functions such as (i) inspection and investigation; (ii) evaluation; (iii) enterprise risk management; (iv) policy development; and (v) financial statements and reporting under International Public Sector Accounting Standards (IPSAS).

III. Main observations and recommendations

A. Oversight in UNHCR

5. The Committee was pleased to note that the internal oversight mechanisms of UNHCR, i.e. OIOS, Inspector General's Office (IGO) and the Policy Development and Evaluation Service (PDES), initiated work on the joint planning of their activities for the coming year. This was in line with the Committee's recommendation that joint planning meetings should be organized systematically among the key oversight players for a minimum

1 See A/AC.96/1104, Annex II.

2 See EC/62/SC/CRP.24/Rev.2.

period of two years to avoid overlap or gaps in oversight and to improve overall coverage and effectiveness. The Committee further encouraged the Deputy High Commissioner to organize quarterly coordination meetings with the oversight services.

6. The Committee noted that an external consultant had been contracted to prepare a comprehensive review of the different oversight functions within UNHCR. While the report of the consultant had not been shared with the Committee in time to be considered at its June session, the Committee trusts that the outcome of this report will contribute to achieving a more integrated, coherent and independent oversight function.

7. The Committee also encouraged the Deputy High Commissioner to continue the meetings of the Internal Compliance and Accountability Committee (ICAC) on a regular basis and explore ways to further refine the structure and the role of the ICAC so as to increase its efficiency and relevance. The Committee emphasizes the importance of keeping the ICAC updated on the status of implementation of all oversight recommendations.

8. The Committee was informed about the preparation of the report on the review of the Desk functions at UNHCR Headquarters by the IGO. The Committee encourages senior management to undertake a timely review and the prompt consideration of this report with a view to strengthening the internal control system and enhancing the clarity of the roles played by the Desk within the organization.

B. Internal audit

9. The Committee received with appreciation an analysis of “Key audit issues, risks and control weaknesses in UNHCR” by OIOS, and noted that this paper had also been shared with the Deputy High Commissioner. The Committee recommended that such analyses be routinely discussed in the ICAC and other senior management meetings to examine further the underlying causes of audit, risk management and internal control issues and to prompt responsible managers to take action where needed.

10. The Committee noted that the timeframe for responding to draft audit reports was longer than dictated by the procedures in place, which contributed to overall delays in issuing the final audit reports. Hence, the Committee urged management to comply with the deadlines for response to audits and hold non-compliant managers accountable.

11. Having previously expressed concerns about the adequacy of the audit rating system applied by OIOS, the Committee was pleased to see that OIOS had considered revising the system and that a working group has been established for this purpose. The Committee reiterated that the revised rating would need to increase the usefulness and relevance of the audit findings and assist management in taking expedited action. The Committee would like to be briefed on further developments and decisions taken.

12. The Committee was pleased to see that OIOS had begun to take into account the risk register of individual offices in conducting audit assignments and that it would use the corporate risk register in preparing the 2017 audit work plan. The Committee also noted that starting in 2017 OIOS will begin reviewing management of risks and the mitigation measures put in place by the organization.

13. The Committee encouraged OIOS to consider, in consultation with UNHCR’s management, increasing its advisory services to complement the provision of assurance exercises.

C. Inspector General's Office

14. The Committee noted that the organization had reviewed the position of Inspector General in the first few months of 2016, and reiterated its view that following the retirement of the previous Inspector General, the position should be advertised externally and filled based on the candidate's competencies as an oversight professional. The Committee was subsequently informed that position of the Inspector General will eventually be filled through external recruitment. In the meantime, the Committee welcomed the appointment of a senior officer with extensive experience to lead the office during a transition period.

Inspection

15. The Committee was pleased to note that the Inspector General ad interim and her office have started to review and clear the backlog of inspection reports overdue since 2015 and urged the Office to continue to enhance the system to ensure that reports would be issued in a timely manner and that recommendations are adequately documented and monitored. The Committee supports the preparation of reports with a clearly defined scope and targeted subject matters. This approach results in fewer, but more relevant recommendations.

16. The Committee encouraged the IGO to adopt a more robust, risk-based approach in developing inspection plans and to document this in the Inspection Handbook. It also recommended that the IGO look at the experience of the risk assessments conducted by the enterprise risk management unit and OIOS, and further suggested that clear key performance indicators be developed for the inspection function.

Investigation

17. The Committee noted that resources for the investigation function had increased as of January 2015, following the recommendations of the European Anti-Fraud Office (OLAF) peer review. The Committee was informed that UNHCR had established a strategy to strengthen the training of non-governmental organizations (NGOs) on preventing and detecting potential fraud and investigating allegations, including through regional workshops.

18. The Committee commended the Investigation Service on actions taken to close outstanding cases, significantly reducing the backlog to a maximum of 6-12 months per case, while ensuring that due process was followed. The Committee urged the Investigation Service to develop a system to maintain information, including on the status of reports to ensure transparency and clearer statistical analysis. With the number of routine investigations reduced, the Committee encouraged the IGO to reallocate the resources freed up by this process towards proactive investigations.

19. The Committee was encouraged by positive developments relating to the increasingly proactive approach to investigations, including through strategic intelligence and data analysis. It urged the Investigation Service to take into account the nature and seriousness of the caseload to guide its priorities.

20. With approximately one-third of UNHCR's budget disbursed through partners, the Committee urged the Office to establish a method to investigate partners independently in case of alleged or suspected wrongdoing and mismanagement, rather than relying on reports from partners.

21. The Committee agreed with the Investigation Service's suggestion that complaints relating to the work environment (including about harassment) should be handled by managers and/or other existing mechanisms, including the Ethics Office, rather than resorting to an investigation.

D. External audit

22. The Committee considered the Audit Completion Report on the financial statements for 2015 from the Board of Auditors and noted that the audit opinion was unqualified. It expressed appreciation for the work and recommendations of the Board, carried out by the National Audit Office of the United Kingdom of Great Britain and Northern Ireland. The Committee noted that adequate and timely actions were taken by the current auditors to ensure, upon termination of their mandate on 30 June 2016, a smooth transition and handover to the newly appointed auditor, the German Supreme Audit Institution.

E. Evaluation

23. Regarding the revision of the policy on evaluation, the Committee was informed that it was in its final stage of clearance with senior management before issuance. The Committee urged the finalization of the evaluation policy to establish the basis of a more robust evaluation function in line with United Nations best practices.

24. The Committee reiterated that the evaluation function should retain its independence and should be able to secure necessary resources to continue professionalizing the service, including by establishing key performance indicators for the evaluation function. The Committee recommended that the policy development component should be separated from the evaluation function of this Service.

25. The Committee welcomed the efforts to professionalize PDES through the recruitment of specialized evaluation expertise, and it urged the service to prepare its work plan based on a clear methodology and established criteria. It also encouraged PDES to undertake evaluations and make practical suggestions to improve programme effectiveness and efficiency. Furthermore, the Committee encouraged the service to adopt a more strategic approach when preparing its work plan, and to assist operations by focusing on longer-term issues that may influence future programme policy.

F. Enterprise risk management

26. The Committee expressed its appreciation for the sustained progress made with the implementation of enterprise risk management in the organization, within timeframes and costs. It remained supportive of the principle of capturing all categories and types of risks, including those related to fraud, in a consolidated platform and emphasized that risk owners should be responsible for maintaining, improving and using enterprise risk management on a regular basis. However, it appreciates that integrating a risk management culture further in the organization requires ongoing efforts.

27. The Committee encouraged senior management to make better use of risk information compiled in the corporate risk register for monitoring purposes, and to examine these on a regular basis.

G. Policy framework

28. The Committee noted the urgent need to simplify and minimize the number of policies and instructions applicable to field offices to avoid overloading operations. The Committee encourages UNHCR to continue the process of policy simplification.

H. Financial statements and financial reporting

29. The Committee complimented UNHCR on the timely preparation of financial statements for the period ended 31 December 2015 and receiving an unqualified audit opinion. The Committee appreciated the smooth closure of accounts and preparation of financial statements for 2015 and encouraged management to continue this level of professionalism and cooperation with all relevant parties across the organization to ensure the equally successful completion of financial exercises in future years.

30. The Committee expressed support for the principle of levying a charge on all earmarked funds, including those allocated to pillars 3 and 4, to cover the cost of support provided by Headquarters to programmes funded by earmarked contributions. It noted that this policy has subsequently been adopted in January 2016.

31. The Committee reiterated the continued need to strengthen the financial capacity of staff at the field level, and supported initiatives such as the Finance Symposium, that took place in November 2015 to improve communication between the finance functions at Headquarters and those in the field.

32. The Committee identified a need, at least in the more complex and larger country operations, for a more robust capacity, including staff with the authority to challenge costs, explore alternative solutions and to promote efficiency in the process, starting from the budgeting phase to the final implementation of a programme.

33. The Committee stressed that adopting project accounting might significantly assist the organization to adhere to the recommendations formulated under “The Grand Bargain – A Shared Commitment to Better Serve People in Need” at the World Humanitarian Summit, in May 2016. These call, inter alia, for detailed and transparent reporting. The Committee encouraged UNHCR to explore the potential modes of accommodating details at a project level, aggregated by programme, without losing essential financial flexibility.

34. The Committee encouraged UNHCR to streamline the Annual Programme Review process to ensure, that the complexity of the review process would be commensurate with the level of risk associated with each of the submissions.

I. Other matters

Procurement through partners

35. While noting management’s actions at various levels of the organization to address the recommendations included in the OIOS audit report on procurement through partners, the Committee continued to observe a need for stronger accountability, starting at country level. The Committee cautioned, however, that this should not be addressed by issuing yet more guidance or taking other bureaucratic steps, which could result in diluting the accountability of responsible staff.

Human resources management

36. The Committee noted with interest the presentation of UNHCR’s people strategy for the next five years,³ and encouraged the implementation of the strategy as of January 2016. In particular, the Committee would welcome receiving the strategy’s implementation plan, with clear deliverables and timelines, during its next session.

³ UNHCR People Strategy 2016-2021, available at <http://www.unhcr.org/55f97a9f9.pdf>.

37. The Committee was pleased to see the organization moving from its traditional human resources transactional approach to a greater emphasis on strategic decision-making. It encouraged UNHCR to continue addressing these issues at senior management level on a regular basis. Therefore, the Committee strongly supported the use of business intelligence tools to determine staff requirements and skills, and encouraged regular consultations with business units to discuss current and future needs.

ICT management

38. The Committee suggested that UNHCR could conduct a cost-benefit analysis to assess whether efficiencies can be obtained in funding the ICT equipment on a continuous basis by means of a capital replacement fund.

39. The Committee commended UNHCR on the progress achieved on ICT-related risk monitoring and encouraged the organization to continue this activity through enhanced analysis of various risk indicators. It stressed that the significant and constantly evolving risks associated with cyber-security should be adequately reflected in the strategic risk register and monitored on a real-time basis.

Results based management

40. The Committee strongly advised the leadership to advocate for clarification and simplification of the results based management (RBM) framework within reasonable timelines, even if lower levels of confidence provided by the revised framework may have to be accepted at this stage. The Committee noted that only 10 per cent (i.e. about 60 outputs) of the total number of current outputs accounted for over 80 per cent of the total budget. The Committee strongly suggested to halt any further enhancement work on the current system (Focus) until RBM requirements were fully clarified and stressed the importance of a revised RBM achieving simplification, while meeting clearly established management needs.

41. The Committee was informed that UNHCR has launched a process of revising the current RBM system. While recognizing the complexity of the task ahead and the dilemmas in the selection process of alternative solutions, it recommended that senior management makes the necessary decisions in a prompt manner to allow an expeditious implementation of the revised structure of RBM.

Regionalization

42. The Committee questioned whether the regionalization policy would sufficiently resolve major problems identified in the first report regarding to regionalization, most notably the delegation of authority, communication and hierarchy. The Committee welcomed the annexes indicating the general accountabilities, responsibilities and authorities of the different levels, but questioned both the level of detail, and whether the principle of subsidiarity had been sufficiently considered.

IV. Acknowledgements

43. The Committee would like to express its appreciation for the support and cooperation of the High Commissioner, the Deputy High Commissioner and UNHCR staff, including the Secretary of the Committee. The Committee appreciated the in-depth presentations and briefings that were made by UNHCR senior managers, OIOS and the United Nations Board of Auditors.