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EXECUTIVE COMMITTEE OF THE
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REPORT OF THE BOARD OF AUDITORS
TO THE GENERAL ASSEMBLY ON THE ACCOUNTS OF THE VOLUNTARY
FUNDS ADMINISTERED BY THE UNITED NATIONS HIGH COMMISSIONER FOR
REFUGEES FOR THE PERIOD ENDED 31 DECEMBER 2003

Addendum 1 - Measures taken or proposed in response
to the recommendations in the Report
of the Board of Auditors to the General Assembly
on the Accounts of the Voluntary Funds administered
by the United Nations High Commissioner for Refugees
for the year ended 31 December 2003

I. INTRODUCTION

1. In accordance with paragraph 10 of General Assembly resolution 47/211 of 23 December 1992, the following is a report on measures taken or to be taken by UNHCR in response to the main recommendations of the Board of Auditors, as set out in paragraph 12 of their Report (A/59/5/Add.5), as well as other recommendations as detailed in paragraphs 21 to 196. Unless otherwise indicated, all references appearing below relate to the aforementioned Report.

Main Recommendations

II. RECOMMENDATION 12 (a)

2. Monitor accurately its commitments against future financial periods (para. 36).

Measures taken by the Administration

3. UNHCR agrees and the introduction of PeopleSoft software will improve the ability of UNHCR to record commitments against future periods. Pending the introduction of PeopleSoft to the field, field offices will be reminded that they should ensure accurate recording in FMIS of commitments against future financial periods. UNHCR's year-end instructions to field offices will emphasize this in particular.

III. RECOMMENDATION 12 (b)

4. Monitor centrally the validity of its year-end unliquidated obligations (para. 57).

Measures taken by the Administration

5. For year-end 2004, UNHCR will strengthen the central monitoring and review of the validity of the unliquidated obligations. This will initially involve a review of the amounts and support documentation submitted by field offices and headquarters divisions to ensure compliance with UNSAS paragraphs 38-40. It is envisaged that the total of unliquidated obligations will be supported by sample documentation review, validating 60-70 per cent of the total balance sheet value.

IV. RECOMMENDATION 12 (c)

6. Correct its assets database in a timely manner and improve asset reporting by field offices (para. 67).

Measures taken by the Administration

7. The following actions have been taken:

- (a) A physical check of all assets at Headquarters was conducted in early 2004 and the records were updated and corrected;

- (b) Quality control of assets data in the field has been carried out by the Logistics Support & Asset Management Section, SMS/DFSM. The process will continue until a satisfactory level of compliance is reached. To supplement the quality control of the assets data, the Section is planning to undertake a training programme during the last quarter of 2004 and during 2005 for Asset Management Focal Points in selected countries;
- (c) A memorandum was issued on 29 March 2004 to all field offices by SMS/DFSM requesting all field offices to take the following actions by 15 June 2004:
- Review holdings of assets that reached the end of their serviceable lives or are damaged and uneconomical to repair with a view to disposing of them;
 - Recommend surplus assets for redeployment and report to their respective desks and SMS;
 - Field Offices phasing down programmes/operations are to review their total available assets and their condition, and to propose appropriate action to the LAMB or HAMB as appropriate.

The Headquarters Asset Management Board has been receiving and responding as necessary to reports from Local Asset Management Boards on the implementation of the above instruction.

V. RECOMMENDATION 12 (d)

8. Take further steps to obtain and verify in a timely manner all subproject monitoring reports from implementing partners (para. 74).

Measures taken by the Administration

9. In order to improve the timely receipt and processing of the SPMRs further, UNHCR has constituted a working group to examine the issue. The working group will propose concrete measures to senior management before the end of 2004.

VI. RECOMMENDATION 12 (e)

10. Fully take into account, in its change-management initiatives, the lessons learned from the decentralization/recentralization process of its Africa Bureau (para. 96).

Measures taken by the Administration

11. The recommendation has been well noted. UNHCR will fully take into account in any future change-management initiatives the lessons learned from the decentralisation/recentralisation process of the Africa Bureau which took place between 1999 and 2002. One recent application of the lessons learned is the improvement in managing regional global functions following the Regional Function Review carried out by ODMS/DFSM.

VII. RECOMMENDATION 12 (f)

12. Continue its efforts to improve the precision of the statistical inputs on refugees (para. 119 (a)).

Measures taken by the Administration

13. Please refer to Recommendation Para 119 below.

VIII. RECOMMENDATION 12(g)

14. Obtain as much data as possible through refugee registration (para. 119 (b)).

Measures taken by the Administration

15. Please refer to Recommendation Para 119 below.

IX. RECOMMENDATION 12 (h)

16. Improve its coordination with other United Nations organizations on information and communication technology strategy and development (para. 138).

Measures taken by the Administration

17. UNHCR agrees with the recommendation and will continue to participate actively in ITAG, the ICT networking group, the ICC Management Committee as well as steering committees that facilitate inter-organization coordination. During the course of 2004, other United Nations agencies' experience in IT strategy coordination and development will be sought with the aim of revising and completing UNHCR's IT strategy and bearing in mind the checklist suggested in paragraph 139 of document A/59/5/Add.5.

X. RECOMMENDATION 12 (i)

18. Review the coordination with software users for its information and communication technology developments, and validate the calendar for field office deployment of its new information system after the shortcomings the Board identified have been solved (para. 175).

Measures taken by the Administration

19. UNHCR agrees with the recommendation. A formal system to register and follow-up users' requests and complaints has been established. In addition, since the beginning of May 2004, a MSRP User Support Unit has operated in UNHCR's main office.

20. As for the field deployment schedule, while the Governance Board validated the deployment calendar in April 2004, the schedule is currently under review by the newly

appointed Director for MSRP and by the new Chief Information Officer, so as to establish a realistic field deployment plan.

Other Recommendations

XI. RECOMMENDATION Para 21

21. The Board reiterates the recommendation that UNHCR, in conjunction with the United Nations Secretariat, review the funding mechanism for end-of-service and post-retirement benefits liabilities.

Measures taken by the Administration

22 UNHCR also believes that the issue should be addressed by the United Nations system as a whole. UNHCR is actively following up on the report on possible measures to fund this liability over time which is due to be submitted to the United Nations General Assembly for their consideration.

XII. RECOMMENDATION Para 33

23. The Board recommends that UNHCR consider disclosing items in the financial report in terms of best governance principles relating to oversight, performance reporting, social accounting issues, risk management, continuity and internal control issues. In this regard, UNHCR should revert to paragraph 6 of resolution 57/278, by which the General Assembly requested the Secretary-General and the executive heads of the funds and programmes of the United Nations to examine governance structures, principles and accountability throughout the United Nations system, since better disclosure would be a step towards taking a proactive approach to the review requested by the Assembly.

Measures taken by the Administration

24. UNHCR recognizes the emerging trend in the United Nations system whereby financial statements cover areas that have traditionally not been reported. UNHCR has in the past few years improved its financial reporting and disclosure policy, such as seen in ~~the~~ Chapter 1 of the audited Financial Statements and Part I of the Annual Program Budget. The latter and various documents submitted to the Executive Committee now contain social accounting information on human resources, composition of staff, rotation policy, safety issues and information technology matters. As for performance reporting, UNHCR is making progress in introducing a results-based budgeting approach so that it can start results-based reporting.

25. A meaningful body of social accounting-related information is contained in various documents submitted to the Executive Committee and in various other information sources, including the United Nations Extranet. UNHCR believes that the scope and level of disclosure should be assessed in terms of all such sources, and it should be kept in mind that new disclosure and reporting requirements would entail additional costs while staff resources

in the DFSM remain very limited. Having said that, UNHCR will continue its policy to improve financial and budgetary transparency as the basis for enhanced accountability of the Office.

XIII. RECOMMENDATION Para 40

26. UNHCR agreed with the Board's recommendation to credit exchange gains and losses on contributions to the appropriate funds, and planned to implement a consistent practice in 2004.

Measures taken by the Administration

27. UNHCR agrees with the recommendation and is revising its internal procedures. The accounts for the year 2004 will reflect a consistent practice.

XIV. RECOMMENDATION Para 46

28. The Board reiterates its recommendation that UNHCR continue to monitor the adequacy of the level of its non-programme expenditures.

Measures taken by the Administration

29 UNHCR has reviewed the expenditure classification by Programme, Programme Support and Management & Administration. The preliminary result is that, for the Unified Budget as a whole (the Annual Programme Budget and Supplementary Budgets), the respective shares of Programme Support (PS) and Management and Administration (MA) have remained stable at 26% to 28% during the last four years, the balance being for Programs (72% to 74%) as indicated in the following table. UNHCR will continue closely monitoring the level of non-programme expenditures.

Category	2000	2001	2002	2003
Management & Administration	5%	4%	4%	5%
Programme Support	23%	24%	22%	23%
Programme	72%	72%	74%	72%
TOTAL	100%	100%	100%	100%

XV. RECOMMENDATION Para 48

30. The Board recommends that UNHCR continue efforts to recover the amount of \$1,219,002 deposited in a bank based in Liberia.

Measures taken by the Administration

31. UNHCR continues its efforts, both at the local and at headquarters level, to recover the funds in the bank in Liberia.

XVI. RECOMMENDATION Para 60

32. UNHCR agreed with the Board's recommendation to align its accounting procedures for payables with United Nations system accounting standards rules.

Measures taken by the Administration

33. UNHCR has already modified its procedures for United Nations payables with immediate effect and is showing them as gross amounts as per UNSAS.

XVII. RECOMMENDATION Para 62

34. The Board recommends that UNHCR review and reconcile long-outstanding payables to ensure that only valid payables are recorded in the accounts.

Measures taken by the Administration

35. UNHCR has already cleared the VF 513 balances in question and will endeavor to clear other payable balances outstanding for more than five years. UNHCR aims to have all balances up to the end of 2001 reconciled by the end of 2004.

XVIII. RECOMMENDATION Para 76

36. The Board reiterates its recommendation that UNHCR continue to assess the qualifications of those implementing partners whose accounting systems and internal controls are not adequate.

Measures taken by the Administration

37. The UNHCR Manual Chapter IV, Section 5.1 (on Implementing Partners), under item 3 (Choice of an Implementing Partner), makes reference to four basic conditions to be met in order to be considered by UNHCR as an implementing partner: one of these basic conditions is the ability to demonstrate financial reliability through the production of Annually Audited Financial Statements (item 3.3 c). To ensure that these provisions are effectively implemented, a Working Group was established in 2002 by the Oversight Committee, with an intention to present proposals on the issue of accreditation, selection and performance appraisal to the Operational Policy Committee by the fourth quarter of 2004. In the meantime, UNHCR has introduced a new measure for Implementing Partners audit certification, under IOM 61-2003/ FOM 61- 2003 of 8 December 2003. Projects implemented during 2004 by international NGOs, and for which there will be an aggregate value of US\$ 300,000 in a given situation or country, will be audited

by an independent audit firm directly contracted by UNHCR. The audit firms would issue audit certificates in 2005, for the 2004 projects, and this would facilitate assessment of accounting systems and internal controls of the UHCR Implementing Partners.

XIX. RECOMMENDATION Para 119

38. The Board recommends, and UNHCR agrees with the Board's recommendation, that UNHCR continue its efforts (a) to improve the precision of the statistical inputs, (b) to obtain as much data as possible through refugee registration, and (c) to have refugees registered and photographed promptly.

Measures taken by the Administration

39. UNHCR will continue to strengthen the quality of the official statistical reporting by UNHCR country offices, bearing in mind the limited resources available. For instance, the 2002 Statistical Yearbook (forthcoming) provides more detail on the sources and methods of data collection. From 2004 onwards, estimates will be collected on the number of refugees/persons of concern to UNHCR who are registered with a view to monitoring registration coverage over time.

40. Population estimates are available for UNHCR assistance categories (EM: new arrivals; CM: UNHCR-assisted refugees; RP: voluntary repatriation departures; RE: resettlement departures; LS: naturalization). The introduction of the Camp Indicator Report towards the end of 2003 has added significant detail to the profile of beneficiaries in refugee camps. A discussion within the Division of Operational Support will be initiated on how systematically to record, monitor and retrieve beneficiary figures in UNHCR project descriptions. The results of this discussion will be specifically raised in the context of MSRP.

41. UNHCR has embarked on a serious effort to enhance its procedures, tools and systems for registration and population data management activities. The new Handbook for Registration was provisionally released in September 2003 and a final version will be published later in 2004. The final version should include additional information on (i) procedures and techniques for continuous registration and verification to keep registration data up-to-date and to minimize reliance on large-scale annual headcount exercises which are no longer deemed compatible with UNHCR's role and protection mandate, and (ii) techniques and tools for the counting, estimation and registration in initial stages of complex humanitarian emergencies.

42. The new registration software has been completed in version 1.0 and roll-out has started, together with improved registration and population data management procedures. By the end of 2004, ProGres will be installed and in use in some 20 country operations. In 2005, ProGres will be implemented in an additional 40 country operations.

43. With the adoption of ExCom Conclusion No. 91 (LII) of 2001, individual photographs were included in the minimum registration data set. Photo capture is already commonplace in many operations. Digital photography which allows for the storage of the photograph together with the registration data is now more standard in UNHCR operations. To support this, the new registration application (ProGres) includes enhanced photo capture functionality.

44. The full impact of these improvements and enhancements, as well as those mentioned under Recommendation para 122, is yet to come; however, they have already allowed UNHCR to tackle outstanding problematic situations more systematically and to find sustainable solutions in the area of registration, documentation and population data management. Collection of baseline data on refugee situations is already based on registration in the vast majority of operations.

XX. RECOMMENDATION Para 122

45. The Board recommends that UNHCR (a) identify the expenditures related to its registration activities, with a view to setting related objectives and to monitoring their implementation, and (b) review the adequacy of the staffing in regard to the strategy to be implemented on statistics.

Measures taken by the Administration

46. The possibilities for separately identifying expenditures related to registration will be examined in the context of the MSRP system during the course of 2004. Funding for Project Profile is already carefully tracked in relation to set objectives and for project implementation. UNHCR has expanded its network of registration support officers (from 1 January 2005, Lusaka will be added to the present three regional hubs in Nairobi, Accra and Cairo). The regions not covered by the staff of the regional hubs will continue to be covered by the Senior Registration Officer in Geneva. Most of the support provided by these expert staff goes to the large and protracted operations where assistance is a major component in the protection strategy. UNHCR will review the different options for further strengthening human resources to improve the management of population statistics.

XXI. RECOMMENDATION Para 125

47. The Board recommends that UNHCR devote the necessary efforts and resources to implement its project "Profile" within the planned time frame.

Measures taken by the Administration

48. In 2004, UNHCR increased the size of Project Profile's budget and the staff devoted to the project's implementation. Project Profile finalized development of Version 1 of a new registration database application, and began field training and implementation of the new registration standards and tools in 20 country operations, comprising over 40 field offices. This process is expected to continue through at least 2005, and adequate budgetary and staffing resources will be made available until this process is completed.

XXII. RECOMMENDATION Para 131

49. The Board recommends that UNHCR closely monitor the management of its premises in the field and endeavour to further comply with the Secretary-General's "United Nations House" initiative.

Measures taken by the Administration

50. UNHCR agrees with the recommendation. Management of field premises has two dimensions: efficient use of premises and provision of adequate security to staff and visitors. The responsibility to manage UNHCR's field premises has been delegated to the UNHCR Representatives who are fully aware of the Secretary General's "United Nations House" initiative as well as the need to enhance staff security in line with the MOSS. The field security arrangements have been reviewed by the recently established Task Force chaired by the Assistant High Commissioner. Taking into account the lifting of the 5-year mandate of the Office and the changing global security environment, UNHCR will take measures to have a better global picture and monitoring of the management of premises in the field, including, within the resources available, centralization of information on all UNHCR's premises in the field.

XXIII. RECOMMENDATION Para 142

51. The Board recommends that UNHCR: (a) review and develop the completeness of its information and communications technology strategic documents; and (b) benchmark them with other organizations of the United Nations system, in order to ascertain that its strategy properly delineates key alignment issues and objectives, the contribution of each project to these objectives, expected costs and benefits, as well as the main risks and technical challenges involved.

Measures taken by the Administration

52. With the establishment of the Division of Information Systems and Technology (DIST) led by the Chief Information Officer, UNHCR will review its ICT strategies in 2004 to ensure they align with UNHCR business requirements and objectives. In developing these strategies, SWOT analysis, environmental factors, risk and/or issues that will affect the successful implementation of the strategies will be included. UNHCR will benchmark the strategies with other United Nations humanitarian organizations. It is noted that proposed projects initiatives in the ICT strategies should have clear objectives, costs and benefits.

XXIV. RECOMMENDATION Para 149

53. The Board recommends, and UNHCR agreed with the Board's recommendations, that UNHCR review its cooperation with UNDP, with a view to achieving savings through greater synergy between the two similarly sourced major software developments.

Measures taken by the Administration

54. Multiple visits to New York have already taken place by MSRP leadership to enhance coordination with UNDP. UNHCR will step up efforts to find efficiency savings through greater synergy. As UNHCR moves towards the start-up of the MSRP Human Resources and Payroll modules, it will consider the applicability of developments already in place at UNDP.

XXV. RECOMMENDATION Para 151

55. UNHCR agreed with the Board's recommendation that it optimize more proactively the use of resources by cooperating further with other United Nations agencies towards such steps as (a) reducing in the long term the diversity of solutions for systems that are, by nature, not specific to its core mission, and (b) benefiting from lessons learned in such fields as data and communication security policies.

Measures taken by the Administration

56. UNHCR will endeavour to find best practices within the United Nations system and other agencies prior to developing its own solution. To facilitate this, UNHCR will request the United Nations ICT networking group to publish an inventory of available systems that can be shared with other sister agencies. The United Nations Extranet could be a potential repository for this.

XXVI. RECOMMENDATION Para 154

57. The Board recommends that UNHCR (a) adopt with the other organizations of the United Nations system a common methodology for determining the total cost of ownership of ICT, in order (b) to determine the variations in cost in different parts of the organization, (c) to assess whether or not outsourcing of ICT activities may be a viable option, and to evaluate ICT projects, their benefits, costs and risks, based on best practices.

Measures taken by the Administration

58. (a) and (b): While UNHCR agrees with the recommendation, UNHCR has already researched practices of other agencies but has not found any standard costing models that it could adopt. At the April 2004 meeting of the United Nations ICT network group, UNHCR proposed that a standard methodology to derive total cost of ownership for IT projects/assets (TCO) be developed. At UNHCR's initiative a task force was set up to achieve this. It should be noted that implementation of Activity Based Costing, a precursor to TCO, would require significant resources and entail risk of its own. (c): UNHCR believes in outsourcing any of its IT activities that are non-core and feasibility is constantly assessed. A more formal evaluation methodology will be developed to evaluate project proposals in terms of benefits, costs and risks.

XXVII. RECOMMENDATION Para 157

59. UNHCR agreed with the Board's recommendation that it subject all significant ICT projects to a post-implementation audit.

Measures taken by the Administration

60. UNHCR will draft a policy to this effect.

XXVIII. RECOMMENDATION Para 160

61. UNHCR agreed with the Board's recommendation to improve the consistency of its data standards and policies, in conjunction with other United Nations entities.

Measures taken by the Administration

62. UNHCR recognizes that a common data architecture within the United Nations system will greatly improve inter-agency data transfer and thereby reduce cost. UNHCR raised this item at the April 2004 UN ICT networking meeting and had follow-up discussions with the United Nations Pension Fund. UNHCR and the Fund evaluated the possibility of electronic data sharing and transfer, using standard interfaces already developed for other agencies. A project was agreed and is currently underway. This will result in the transfer of data from Geneva to the Pension Fund's database in New York. This data transfer project is expected to be completed before the end of 2004.

XXIX. RECOMMENDATION Para 165

63. The Board recommends that UNHCR research, in conjunction with other United Nations entities, opportunities for cooperation and rationalization in ICT procurement.

Measures taken by the Administration

64. UNHCR raised this point at the ICT networking meeting in April. The United Nations Secretariat has recently completed a frame agreement with Microsoft which allows all United Nations organizations to benefit from licensing discounts. In addition, UNHCR has a frame agreement with Microsoft Switzerland which also allows for bulk discounts. This frame agreement is also available for other United Nations organizations to take advantage of. Whilst the two agreements are similar there are also specific differences. United Nations organizations, including UNHCR, have the opportunity to select which agreement they wish to use depending on which product they need to purchase.

XXX. RECOMMENDATION Para 167

65. The Board recommends that UNHCR join other organizations of the United Nations system project peer reviews, towards limiting in the long term the cost of the multiplicity of solutions answering similar strategies and needs.

Measures taken by the Administration

66. UNHCR agrees with the recommendation. While no formal peer review process currently exists in the United Nations system, there are a multitude of sharing opportunities through meetings, teleconferences and the like where information is being informally shared. There are also extensive opportunities throughout the United Nations IT community, including via task forces and committees, for status reports and future planning to be shared more formally. UNHCR will actively participate in these fora.

XXXI. RECOMMENDATION Para 169

68. The Board recommends, and UNHCR agreed with the Board's recommendations, that UNHCR assess actual staff skills in ICT strategy and organize appropriate training sessions.

Measures taken by the Administration

62. UNHCR will assess actual staff skills and organize appropriate training sessions.

XXXII. RECOMMENDATION Para 177

63. The Board recommends, and UNHCR agreed with the Board's recommendation, that UNHCR test any future data conversion in a dedicated environment.

Measures taken by the Administration

64. UNHCR has complied with best practice for conversion activities during 2003 and these activities were conducted in a separate environment. Due to the closure of the year in the legacy system, final conversion data was only available after go-live. Here, reconciliation activities could only be performed in the production environment. Further conversion activities will be conducted in a separate environment.

XXXIII. RECOMMENDATION Para 179

65. UNHCR agreed with the Board's recommendation to document (a) the data conversion process, including all tasks and controls implemented, and (b) all the conversion discrepancies.

Measures taken by the Administration

66. All aspects of data conversion have either been fully documented, or will be fully documented.

XXXIV. RECOMMENDATION Para 181

67. The Board recommends, and UNHCR agrees with the Board's recommendation, that UNHCR improve its monitoring of Management Systems Renewal Project availability and batch processing.

Measures taken by the Administration

68. Extensive monitoring is already taking place. For instance, system availability was 96.7 per cent for the month of March 2004, the latest month for which data is available.

XXXV. RECOMMENDATION Para 183

69. The Board recommends, and UNHCR agrees with the Board's recommendation, that UNHCR extensively review its Management Systems Renewal Project security policy on such items as access rights management and fraud prevention.

Measures taken by the Administration

70. UNHCR will take the appropriate actions to implement this recommendation.

XXXVI. RECOMMENDATION Para 185

71. UNHCR agreed with the Board's recommendation to formally join, as appropriate, outside contracts, when using a common outsourcer with a third party.

Measures taken by the Administration

72. UNHCR will take the appropriate actions to implement this recommendation.

XXXVII. RECOMMENDATION Para 192

73. The Board recommends that UNHCR develop, document and implement a plan against the risk of internal corruption and fraud, including fraud-awareness initiatives, in coordination with the Administration of the United Nations and other funds and programmes to obtain the benefit of best practices, where available.

Measures taken by the Administration

74. UNHCR agrees with the recommendations and intends to develop measures under the guidance of the enhanced Oversight Committee. UNHCR's strengthened investigation functions will also facilitate the process. Training of the application of the new Code of Conduct will be pursued. One related development in the United Nations system is that, during the recent Finance and Budget Network of the HLMC, which UNHCR organized, the issue of Fraud Awareness was discussed (CEB/2004/HLCM/12 dated 4 March 2004). The meeting established a working group which would develop a common framework for risk assessment, common definition of fraud, and produce a best practice booklet on fraud controls and prevention as well as a CD-ROM based training materials. Staff from the Legal and Internal Audit services of the United Nations agencies will be requested to participate in the working group. UNHCR will actively participate in the process.

XXXVIII. RECOMMENDATION Para 196

75. The Board recommends that UNHCR review its policy on the referral of fraud cases to penal courts, with a view to developing a more dissuasive stance on fraud sanction.

Measures taken by the Administration

76. UNHCR agrees with the recommendation and it will therefore recommend to the Secretary-General that fraud cases be referred before national courts if and when the elements mentioned in paragraph 194 of document A/59/5/Add.5 have been reviewed and considered appropriate to such proceedings.