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High Commissioner's Programme**

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**Follow-up to the recommendations of the Board of
Auditors on the financial statements for previous
years**

Summary

This paper provides an update on actions taken in response to the key issues and outstanding recommendations of the Board of Auditors from its review of UNHCR's 2015 financial statements and previous years.

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I. Introduction

1. The United Nations Board of Auditors (the Board) issued an unmodified opinion in its report on UNHCR's financial statements for the year 2015 (see A/71/5/Add.6). During the course of the audit, the Board visited UNHCR Headquarters in Geneva and Budapest, examined field operations in Jordan and the Sudan, and conducted teleconferences and surveys with 10 other field locations.

2. The Board's report presented findings in the following key areas: (a) financial and governance matters; (b) enterprise risk management; (c) population data accuracy; (d) prioritization of resources; (e) driving efficiencies; and (f) durable solutions.

3. Chapter II of this paper provides an overview of actions that UNHCR has taken in the areas highlighted by the Board, updating the information provided to the Executive Committee of the High Commissioner's Programme in October 2016 in the report on "Key issues and measures taken in response to the Report of the Board of Auditors for 2015" (A/AC.96/1157/Add.1). Chapter III summarizes the status of implementation of the Board's recommendations. Detailed information on progress made in implementing the outstanding recommendations from the 2015 audit and previous years is presented in two matrices, which are available from <http://www.unhcr.org/standing-committee-meetings.html>.

II. Progress in areas identified during the audit of UNHCR's 2015 financial statements

A. Financial and governance matters

4. Following the audit of the 2015 financial statements, the Board confirmed that UNHCR remained in a strong financial position, with sufficient assets to meet liabilities and with good levels of support received from its donors. Nevertheless, the Board noted that the organization was still facing constraints in the use of resources, as high levels of contributions were earmarked by donors for specific purposes and significant amounts were received towards the end of the financial year. The Board recommended that UNHCR improve forecasting by obtaining greater certainty on the timing and earmarking of donations in order to optimize the resource allocation process. In response, UNHCR has made efforts to enhance its systems and tools and to further automate the recording and reporting of revenues, facilitating data analysis and reporting.

5. Regarding UNHCR country offices, the Board recommended enhancing the financial management of programme budgets and expenditures by developing the processes, tools and reports needed to achieve this. This would include strengthening the links between finance and programme staff in the field. Addressing this recommendation, the upgrade of UNHCR's management, systems, resources and people (MSRP) platform will allow for better tracking of the use of resources through new capabilities, ranging from system controls to features that allow for the analysis of budget changes. The administrative/finance and programme roles in the field are also being reviewed with a view to reinforcing collaboration in the analysis and review of budgets and expenditure.

6. The Board advised that the MSRP upgrade was central in providing management with reliable and timely information for decision-making. It recommended that any significant changes to project budgets or risk profiles be formally documented and approved by the relevant committee, and further encouraged presentation to senior management of a benefits-realization plan. UNHCR has established a formal review process that is conducted at key

stages during the project life cycle and which includes the involvement of key internal stakeholders.

7. With respect to UNHCR's global fleet management project, the Board noted some weaknesses in communicating to country offices about the strategy and measuring the benefits resulting from its application. UNHCR has addressed this recommendation through the wide dissemination within the organization of its Fleet Handbook and by launching a comprehensive training course, which will be rolled out in various countries in 2017.

B. Enterprise risk management

8. The Board noted that progress had been made during 2015 towards systematic risk management. UNHCR had completed a structured assessment of all risks related to country offices and headquarters entities, and had compiled the results of this exercise into a corporate risk register. UNHCR had also developed a strategic risk register, which currently includes 21 risks. However, the Board considered that a closer alignment between these two registers would provide greater assurance over the completeness and integration of the risk processes within UNHCR and support decision-making at the senior level. Furthermore, the Board advised that more could be done to review the quality and robustness of the mitigation measures identified at the country office level.

9. In response, UNHCR confirms that its corporate and strategic risk registers are reasonably aligned. Comparison of risk trends in the field and the strategic risk register indicate that key high risk areas (e.g. staff safety and security; emergency response; and human resources) in the corporate risk register are also represented among the strategic risks. In addition, the strategic risk register also contains organization-wide risks of a global nature. UNHCR's Enterprise Risk Management (ERM) Unit will continue to conduct trend analysis of the corporate risk register and ensure reasonable thematic alignment between the two registers.

10. In response to the Board's recommendation on the quality of mitigation measures identified at the country office level, qualitative review of the corporate risk register was conducted, shared and discussed with the Regional Bureaux in September-October 2016. This led to concerted follow-up by the Bureaux with the field operations during the 2016 mandatory annual risk review. The guidance on conducting this review, provided as part of the instructions on detailed planning and budgeting for 2017, reinforced the requirement to focus on mitigation measures for priority risks. Additional business intelligence capabilities are being developed and tested to better support the review of the risk registers at Headquarters.

11. Starting in 2017, internal audit will systematically include risk management assurance in the scope of its audit work. Feedback and follow-up to this structured process will contribute to the improvement of risk management, including risk mitigation.

C. Population data accuracy

12. Recognizing the importance of having accurate population statistics to allocate resources in an optimal manner, the Board examined the use of data in the resource planning process, as well as the verification process carried out within UNHCR to validate population data. The Board expressed concern that UNHCR did not carry out systematic reconciliation exercises to review the initial planning estimates against the actual figures during the year.

13. In response to this recommendation, UNHCR completed a number of verification exercises in 2016, and more are scheduled to take place in 2017. The exercises completed in

2016 already showed results in terms of improved quality of registration data and savings in assistance and protection resources due to a reduction in population figures. UNHCR has also created a shared repository where all verification exercise planning, implementation and reporting documents will be stored; a shared calendar to allow global tracking of verification and other registration activities; and verification reporting templates that will be applied for verifications conducted in 2017.

14. The Board also reviewed the biometric system introduced by UNHCR to support registration and improve the accuracy of its identification and registration processes. While noting that this system had the potential to assist in improving the accuracy of population data, the Board did not find evidence of a formal benefits plan prepared by UNHCR to quantify its impact.

15. UNHCR has identified benefit realization indicators that will be included in the global planning matrix to monitor and report on the benefits of the biometric identity management system (BIMS) in registration, assistance and other identity management processes. Consultations are now conducted to decide on the final list of indicators to be retained. Furthermore, UNHCR is working on establishing reporting tools for its biometric identity management system. This will assist in better measuring the benefits it delivers in the context of multiple registration mitigation and fraud prevention.

D. Prioritization of resources

16. The Board emphasized that UNHCR's resource prioritization process should take place in a systematic manner, yet adapted to the specifics of each operation. Following an examination of various country operations, the Board found that the country operations plans included a high level of detail and complexity in the description of outcomes and results, and that a considerable amount of time and resources had been devoted to the process. The Board concluded that there were opportunities for UNHCR to refine and simplify these plans. In response, and as an interim measure, UNHCR has reduced and streamlined the mandatory narrative requirements for preparing and submitting the operation plans. Longer-term simplification should be addressed by a newly launched results-based management (RBM) revision project.

17. The Board reviewed the needs-assessed budget from two country operations plans and found that more could be done to scrutinize how they were compiled in order to support resource allocation decisions. UNHCR is in the process of changing its approach to the annual planning and review process through the revision of its framework for resource allocation and management. The new framework has been developed and is now in the process of review and approval. Furthermore, the RBM revision is intended to improve the type of analysis suggested by the Board.

18. The Board further recommended better monitoring to ensure that budgets reflect the needs and that they remain credible throughout the implementation period. UNHCR is planning to issue, in the first quarter of 2017, additional guidance to field operations regarding elements that should be included in the needs assessment. Furthermore, the RBM revision project is expected to also bring improvements to impact monitoring and reporting.

E. Driving efficiencies

19. The Board examined the progress UNHCR had made in identifying cost savings and driving efficiencies in its operations. It noted that, while country operations were able to describe various ways of obtaining efficiency savings, the impact of these savings was not routinely measured. The Board recommended that the design of the efficiency activities be

improved to enable their impact to be measured. The Board also recommended that greater scrutiny be applied to the cost drivers and to the programme support costs in order to determine whether the programme in question could be delivered more efficiently.

20. In response, UNHCR will incorporate in the annual planning, budgeting and reporting instructions additional requirements to highlight activities where planned efficiencies have resulted in savings. UNHCR is also planning to conduct several structural and staffing reviews in the field to determine optimal organizational design and workforce requirements.

F. Durable solutions

21. During the examination of the 2015 financial statements, the Board found that the budget dedicated to durable solutions had declined and that UNHCR had not monitored its progress in delivering successful solutions. The Board recommended the development of performance measures to assess the added-value impact of activities to deliver durable solutions. The Board also recommended that UNHCR adopt an approach to durable solutions that is embedded in delivery, using multi-year strategies.

22. In response, UNHCR established in 2016 a multi-year, multi-partner (MYMP) protection and solutions strategy approach, which has been initially piloted in six countries. Following the conclusion of the 2016 annual programme review, it was agreed to extend the MYMP approach in 2017 to 15 more countries. This approach will gradually move UNHCR into multi-year strategic management, reflecting the socio-political and economic reality of any given operation and allowing for a more effective allocation of resources and implementation of sustainable solutions.

III. Status of implementation of the Board's recommendations

23. In its report on the 2015 financial statements, the Board issued 22 new recommendations, all of which have been accepted by UNHCR and are being implemented as outlined in A/AC.96/1157/Add.1 and as noted in Chapter II above.

24. From the 34 outstanding recommendations issued for 2014 and previous years, the Board assessed that 6 (18 per cent) had been implemented, 3 (9 per cent) had been superseded by events and 25 (73 per cent) were in the process of being implemented.

25. In 2016, UNHCR continued to make progress in respect of the recommendations outstanding from previous years, of which a few examples are described in paragraph 26. More detailed information regarding the status of the outstanding 25 recommendations from previous years is provided in matrices available from <http://www.unhcr.org/standing-committee-meetings.html>.

26. In respect of the recommendations related to fraud prevention, a basic e-learning course on the fundamentals of fraud and corruption awareness was released at the end of 2016. Regarding the review of cost classification, UNHCR has further refined the methodology employed to allocate programme, programme support, and management and administrative costs. In terms of the recommendations related to human resources, the People Strategy implementation plan and an overview of workforce metrics were presented to senior management at the end of 2016, and a Senior Workforce Planning Committee was established to keep management regularly informed about leadership and succession planning matters. Measures to improve UNHCR's global fleet management and the enhancement of internal verification processes for partners are also on track.

27. During the final audit of the 2016 financial statements, scheduled to take place in the first quarter of 2017, the Board will review the progress made in the implementation of its

recommendations from 2015 and previous years, with a view to closing those recommendations considered as implemented.

IV. Conclusion

28. UNHCR appreciates the guidance provided by the Board. Its findings and recommendations allow the Office to focus its resources on the most relevant risk areas and to strengthen internal controls where necessary. While full implementation of all recommendations cannot be achieved within one year, as recognized by the Board, UNHCR will continue to take action to address them and reiterates its commitment to improving procedures, systems and controls in order to mitigate identified risks.
