

**Independent Audit and Oversight
Committee (IAOC)**

**Annual Report
July 2014 – June 2015
(EC/66/SC/CRP.26)**

Presented by

Ms. Mari Simonen, Chairperson

Ms. Lynn Haight, Vice-Chairperson

Introduction

- IAOC was established in 2011 (first session June 2012)
- Five members were appointed to serve on the Committee
- Tenure of three members was extended until May 2018
- This report covers IAOC activities from July 2014 to June 2015:
 - Three sessions since the last report was presented
 - Familiarization visits by two members to UNHCR's operations in Kenya and Thailand

Major Areas Reviewed

- Oversight in UNHCR
- Internal Audit (carried out by OIOS)
- Inspection and Investigation (IGO)
- External Audit (UN Board of Auditors)
- Evaluation (PDES)

Major Areas Reviewed *(cont.)*

- Enterprise Risk Management (ERM)
- Accountability and Internal Control
- Financial Statements and IPSAS

Oversight in UNHCR

- Progress on several issues:
 - Follow-up to previous recommendations
 - Fraud prevention project
 - Enterprise risk management
 - Implementing partnership management
 - Personal accountability
- Need to find good balance between need for oversight and controls, and the realities of emergencies and operations.
- Oversight requirements, including budget, when planning for new emergencies
- Need for strengthened monitoring at country, regional and HQ levels

Oversight in UNHCR *(cont.)*

- Role, mandate and responsibilities of inspection and evaluation functions
- External advertisement for position of Inspector General; selection on basis of competencies and experience as oversight professional
- Transition of several key members of senior management within a relatively short period of time
- Controller as full member of senior executive team
- Implementation of critical and ageing audit recommendations and addressing high risk areas

Internal Audit

- Positive developments:
 - Revision of memorandum of understanding between UNHCR and OIOS, strengthening internal audit services
 - New quarterly reports by OIOS
- UNHCR senior management to review “risk appetite”
- Discuss possibility to change/refine rating of audits
- Concern about general productivity per auditor

Inspector General's Office / Inspection

- Reservations about clarity of mandate of inspection function
- Recommendations:
 - Conduct independent evaluation, including system-wide benchmarking of outputs
 - Clarify role as distinct from internal audit
 - Develop key indicators to measure performance
 - Focus inspection reports on issues with sufficient criticality

Inspector General's Office / Investigation

- Positive developments:
 - Increased resources for investigation function as of January 2015
 - Establishment of investigator pool to assist partners with investigating fraud allegations
- Risk in failure by partners to observe reporting obligations
- Recommendations:
 - Ensure adequate investigation function
 - Increasingly pay attention to possible fraud by third parties
 - Complete investigations in timely manner

External Audit

- Report by UN Board of Auditors on UNHCR's financial statements for 2014 financial period with unqualified audit opinion
- Appreciation for the work and recommendations of the Board
- Agreed with the Board on need for better understanding of programme and administrative costs
- Encouraged Board to reconsider its position on revenue recognition, as revenue should be recognized in the year to which it pertains (rather than when received)

Evaluation

- Positive developments:
 - Steps to revise evaluation policy
 - Efforts to professionalize evaluation through specialized recruitment
- Urge to move ahead with implementation of robust independent evaluation function, in line with professional standards
- Lessons learned on quality assurance, especially regarding decentralization of evaluation function
- Recommendations:
 - prepare work plan based on clear methodology and criteria
 - focus on evaluations to improve programme effectiveness and efficiencies

Enterprise Risk Management (ERM)

- Positive developments:
 - Preparation of corporate and strategic risk registers
- Recommendations:
 - Use strategic risk register as opportunity to think “outside the box”
 - Define common oversight universe as outcome of ERM process

Accountability and Internal Control

- Positive developments:
 - Revised performance policy and training
 - High-level internal control framework with focus on financial management
- Complex issue of personal accountability, requiring efforts over protracted period of time
- Recommendations:
 - Comprehensive internal control framework, linked to strategic risk register
 - Update critical parts of UNHCR Manual on operations management and financial management

Financial Statements and Reporting

- Unqualified opinion from the UN Board of Auditors for 2014 financial statements, prepared under IPSAS
- Support for efforts to strengthen finance capacity in the field
- Critical challenge to mobilize needed resources for significantly increasing needs
- Recommendations:
 - Consider possible mitigating measures and prepare strategic financial scenarios
 - Maintain better financial control through functional relationship between finance function in field and HQ

Other Matters

- Fraud prevention and mitigation
 - Appreciation for serious efforts on prevention of fraud and corruption
 - Concern about focus on internal fraud
 - Need to dedicate sufficient resources to investigate external fraud, including for all involved units
 - Urge expedited introduction of technological solutions
 - Emphasis on direct link between personal accountability and fraud

Other Matters *(cont.)*

- Implementing partnership management
 - Appreciation for comprehensive and systematic approach
 - Need for active engagement of regional bureaux and country offices
 - Project audit certificates: timely and of sufficient quality
- Procurement
 - Simpler procurement procedures for emergency situations
 - Accelerated training and capacity-building, particular for procurement-heavy operations

Other Matters *(cont.)*

- Human resources management
 - Burden due to large number of vacancies and assignments
 - Need to dedicate sufficient time for strategic priorities, including workforce planning
- ICT management
 - Appreciation for progress achieved
 - Urge sufficient attention for data protection and cyber security risks

Thank you