

AUDIT FOLLOW-UP
FINANCIAL MANAGEMENT AND PROGRAMME MANAGEMENT

I. INTRODUCTION

1. This conference room paper provides an update on UNHCR's follow-up to 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 1997 (A/AC.96/901)* relating to financial management and programme management. It should be read in conjunction with the initial UNHCR response to the Board of Auditors Recommendations (A/AC.96/901/Add.1) as presented to the forty-ninth session of the Executive Committee of the High Commissioner's Programme. The present comments build on those found in that document.

II. FINANCIAL MANAGEMENT

2. **Recommendation 11 (a): The Board recommends that the Administration should review the present method of recognition of income so that its accounting policies and practices follow the United Nations Accounting Standards (A/AC.96/901, para. 16).**

3. It is important to recall that UNHCR received the support of the Executive Committee with regard to the practise currently followed for income recognition and that the Advisory Committee on Administrative and Budgetary Questions (ACABQ) shared the High Commissioners reservations, with the exception of income recognition of UNHCR Trust Funds, where a cash basis for recognition was recommended.

4. The ACABQ further believes that it is, in fact, the current definition of UNHCR Programmes that has led the Board of Auditors to raise this issue. In its recent report on the revised budget for 1998 and initial estimates for 1999 for the Office of the High Commissioner (A/53/513), the ACABQ has made recommendations on the reclassifications of UNHCR programmes, which, if approved, would resolve the issue raised by the Board of Auditors.

5. UNHCR has undertaken extensive discussion to this effect with various United Nations bodies. The definition of and distinction between Special Programmes and Trust Funds are still to be elaborated in consultation with donors before a substantial change in the accounting policy can be implemented. The practical consequences for programme delivery will have to be taken into consideration to allow donors to eventually change their own procedures for providing funds to UNHCR. It might be difficult to envisage an important change of accounting policy without proper preparation, as this new policy will have practical consequences.

6. It should be noted that the Consultative Committee for Administrative Questions (Financial and Budgetary Questions) (CCAQ(FB)) has established a Working Party to review, *inter alia*, the United Nations Accounting Standards relating to the recording of voluntary contributions and the matching of income and expenditure. The Working Party will meet in June 1999 and report to the August 1999 session of CCAQ(FB). It does not seem appropriate for UNHCR to change a long standing, consistent practice in order to switch to rules that are currently under review with the CCAQ. Nevertheless, the UNHCR Management will follow the United Nations Accounting Standards relating to the recognition of

income once the latter are reconfirmed or amended. The implementation of an interim practice would be disruptive in respect of transparency to donors and systems' adjustment.

7. Recommendation 11 (b): The Board reiterates its recommendation that UNHCR should focus attention on timely review and cancellation of obligations no longer required (A/AC.96/901, para. 32).

8. The level of unliquidated obligations has continued to diminish and at the end on 1998 the amount reflected in the UNHCR accounts was further reduced, representing 13.6 per cent of the total obligations, as compared to 14.1 per cent in 1997 and 17.3 per cent in 1996.

9. During 1998, efforts to reduce the amount of unliquidated obligations to an acceptable level, included actions such as: the issuance by the Controller and by Financial Services of regular reminders for review by the operational units responsible for project implementation and the inclusion of restrictive instructions to all Offices at year end closure on the retention of outstanding obligations. The retention of funds should be contingent on the existence of valid and reliable documentary evidence. In this connection, it is important to note that a certain percentage of the funds retained at year end are to cover administrative expenditures, for which a 12 month period is allowed for liquidation, in accordance with Article IV, Regulations 4.3 and 4.4 of the Financial Regulations and Rules of the United Nations. Therefore any unliquidated prior years obligations not liquidated in the current year, are automatically cancelled at the end of year.

III. PROGRAMME MANAGEMENT

10. Recommendation 11 (c): The Board recommends that the Administration should ensure timely submission of sub-project monitoring reports and ensure that funds are disbursed to the implementing partners only when required (A/AC.96/901, para. 43).

11. A non-governmental organization (NGO) database has been established with information on more than 600 NGOs with whom UNHCR has had contacts. The database will be maintained and updated as needed. The information in the database is available to UNHCR staff at Headquarters and in the Field when they have queries on the past financial/reporting performance of UNHCR's NGO partners. The headquarters of these agencies have been informed that UNHCR has consolidated this information and that it can be used when making implementation arrangements for future programmes. Field offices have also been advised when certain agencies have not met their responsibility to provide information for the database, with the advice not to make subsequent instalments to those agencies. Wherever appropriate, no further payments have been made in such cases.

12. In addition, on 29 January 1999, UNHCR issued a revision to section 6.5 of Chapter 4 (*Programme and Project Management*) of the UNHCR Manual, placing even more accountability with the UNHCR Country Representatives to establish appropriate measures for the timely submission of financial sub-project monitoring reports by implementing partners and to ensure that funds are disbursed to them only when needed.

13. In 1999, UNHCR is initiating a systems upgrade to allow for the tracing of the submissions of the current year financial project monitoring reports, thus avoiding the accumulation of a backlog, of delayed submissions.

14. Recommendation 11 (d): The Board recommends that UNHCR should monitor more closely the timing of project delivery, particularly in those projects which are time critical (A/AC.96/901, para. 58).

15. As previously explained, the ability of UNHCR offices to fully implement annual projects as originally budgeted generally depends more on prevailing field conditions and timely receipt of funds than on an unrealistic assessment of needs or faulty budgeting. Nevertheless, the financial constraints which UNHCR currently faces have resulted in slightly reduced budgets in most operations. Lower initial targets usually result in a higher rate of implementation and it is expected that in 1999 the expenditure will be much closer to the approved (or amended) budget level than in previous years.

16. The circulation procedures for creating, clearing and dispatching Letters of Instruction (LOIs) to offices in the field were simplified in 1997. Delays sometimes occur in finalizing LOIs for Special Programmes due more to the non-availability of funds for a particular programme than to internal circulation problems.

17. Recommendation 11 (e): The Board recommends that the Administration should take prompt and effective steps to ensure that adequate sex/age disaggregated statistics are collected and used in the formulation of programmes for women (A/AC.96/901, para. 64).

18. As stated in UNHCR's initial reply to the Board of Auditors, sex and age disaggregated statistics, alongside many other indicators, are being widely collected and used at the field level to plan, implement, monitor and evaluate programme needs, including those for women, children and other groups with special needs.

19. As part of the 1999 programming instructions, all field offices have been requested to report on progress in the area of refugee registration, an important instrument to collect demographic statistics, as well as to plan and budget for future registration activities. Furthermore, UNHCR is actively pursuing public and private partnerships to strengthen and support registration activities in particular operations. In addition, it is planned to integrate registration training fully with other programme training, thereby ensuring that more staff will acquire basic registration knowledge. Finally, the 1998 annual statistical reporting exercise has resulted in the creation of various comprehensive statistical databases, including one on sex and age, enhancing UNHCR's capacity to plan, implement, monitor and evaluate its operations from a gender and age perspective at the situational, regional and global level.

20. Recommendation 11 (f): The Board recommends that the UNHCR should encourage all field offices to respond to the High Commissioner's request so that it can make a full assessment of the work required and funds needed to implement the Machel report on refugee children (A/AC.96/901, para. 69).

21. Some 75 countries have submitted follow-up reports to the June 1998 memorandum. In the progress reports, numerous offices indicated that as a result of the 1998 funding shortfall, they had to reduce their operational budgets, thereby curtailing, *inter alia*, Machel Study-related activities. In programming instructions issued in 1999, Representatives were reminded of the priority that the Office attached to the mainstreaming of activities in favour of refugee children and adolescents. These submissions from field offices are currently being reviewed.

22. Support for initiatives on behalf of refugee children and adolescents has relied particularly on earmarked contributions from some donors. Of the \$ 4.23 million contribution received in July 1998, 86 per cent went to activities integrated into UNHCR's country programmes and 14 per cent to activities developed in response to newly-identified needs and to support UNHCR-NGO partnerships on children's issues. This contribution covered Machel Study-related activities in Central Asia, the Commonwealth of Independent States, Horn of Africa, West Africa and the Great Lakes region of Africa. Other contributions from Denmark, Norway, Sweden and the United States have also enabled the Office to develop additional efforts linked to UNHCR's Machel Study follow-up strategy, including the establishment of four Regional Policy Officers for Refugee Children, the Action for the Rights of Children training programme, and conflict resolution and peace education initiatives.

23. Significant progress has been made on the Action for the Rights of Children (ARC) training programme. Four regional workshops and one Training of Trainers workshop were held under the auspices of the ARC project in 1998 and a total of 13 training modules on child rights concerns have been developed (printed in early 1999). In order to facilitate the implementation and development of the project, it was decided to focus on the four regions that had a Regional Policy Officer for Children: Horn of Africa, Commonwealth of Independent States, Central Asia and West Africa. So far in 1999, three Training of Trainers Workshops have taken place under the ARC training programme .

24. As regards the peace education initiative, this programme has been initiated and developed in Kenya (Dadaab and Kakuma), where it has been mainstreamed into the regular school programme in refugee camps. Peace education was also introduced into the non-formal education programme. Activities undertaken under the programme include education working groups in each of the camps,

community workshops (12 in total), public awareness programmes and art exhibitions. Teaching and learning materials have also been developed. The peace education programme is to be extended to other countries on a progressive basis.

25. Recommendation 11 (g): The Board recommends that the Administration should develop a comprehensive monitoring and evaluation system to ensure that the concerns envisaged in the environmental policy are addressed adequately (A/AC.96/901, para. 75).

26. The Environment Unit conducted a survey in November 1998, by sending out a questionnaire on environmental management in refugee, returnee and internally displaced persons situations has been sent to relevant field offices. The replies from the field offices have been compiled and the offices which need assistance from Headquarters are being identified.

27. Training of UNHCR and implementing partner staff in environmental management within refugee operations has begun formally. Regional workshops were held in October 1998 in Addis Ababa, for the Horn and Eastern Africa operations, and in April 1999 in New Delhi, for the South and Southeast Asia operations.

28. Efforts are being made to improve environmental monitoring and evaluation in field operations. Systematic environmental data collection and compilation is being conducted in various countries using Geographic Information System (GIS) as well as satellite images and Global Positioning System (GPS). Environmental indicators for better monitoring and evaluation are being tested in the Sudan and will soon be tested in the United Republic of Tanzania.

29. It is planned to prepare a comprehensive report on environmental policy compliance by mid-2000 by utilizing the results of the survey, as well as by conducting missions to the countries which need a more precise evaluation by Headquarters.

30. In the restructuring of the Division of Operational Support, the former Environment Unit has been merged with the newly created Engineering and Environmental Services Section (EESS). From mid-June 1999, the Chief of EESS will be responsible for policy coordination on environmental issues, including the implementation of this recommendation.

31. Recommendation 11 (h): The Board recommends that the Administration should take prompt action to complete the installation of MINDER in all field offices and implement all aspects of the system, so that the records correctly reflect the assets held by UNHCR and with the implementing partners, and improve the control over the physical assets (A/AC.96/901, para. 90).

32. Fixed Asset Management and Tracking System (MINDER) data is available in all UNHCR offices. As of 31 December 1998, 108 field offices representing 86 per cent sent current data to Headquarters for consolidation. As part of the first phase of the task forces established to fully implement MINDER, two task forces have been sent to Zambia, Angola, the United Republic of Tanzania and the Sudan. MINDER was set up in all the countries visited in addition to conducting a physical check of assets and providing on-the-job training. Senior management is currently reviewing the mission results and exploring all avenues to attain the most efficient method to complete the asset management task prior to year end. On 26 March 1999, an internal instruction was issued on Asset Management Boards, which includes the creation of Regional Asset Management Boards and detailed guidelines for Local, Regional and Headquarters Asset Management Boards.

33. Recommendation 11 (i): The Board recommends that UNHCR should ensure that all systems are tested for Year 2000 compliance with sufficient lead time to address any deficiencies (A/AC.96/901, para. 99).

34. To achieve Year 2000 compliance the following actions have been taken:

(a) Personal computers and networks

35. Field file servers have been upgraded to a Year 2000 compliant version of Novell NetWare (NW 3.2), and their internal configurations have been checked and upgraded where necessary. To ensure

compliance, four field locations will require file server hardware purchases. The field offices have been requested to purchase this equipment. Out of a total of 80 field LAN locations, 46 have responded to reminders requesting the purchase of new e-mail servers. A third reminder on the purchase of new e-mail servers is being sent to the remaining field offices. Offices in the field are also being reminded to upgrade the internal configuration of their workstations and perform other compliancy checks. A third reminder is being sent to some offices through Regional Bureaux and the Budget Section to emphasize the need to order replacement workstation equipment.

36. All Headquarters workstations will have been checked and necessary internal configuration upgrades completed by 31 May 1999.

37. All LAN server hardware and software is being tested and made compliant during scheduled maintenance periods, as is the network infrastructure (routers, etc.). Network software is being checked for compliance and non-compliant software is being replaced. Progress on Year 2000 activities is being slowed by the Kosovo operation, which requires constant network and e-mail availability, with only essential maintenance possible.

(b) Core (host) systems and PC/LAN systems

38. The International Computing Centre has installed a Year 2000 compliant operating system and set a deadline of September 1999 for all organizations to convert to this environment. UNHCR's applications are already being tested in this environment and have, for the most part, been adjusted for any Year 2000 issues. UNHCR plans to have migrated to IOS3 (mainframe system) in advance of the September 1999 deadline and expects the last application to be completed by that deadline.

39. All applications which have been developed in-house have been checked for Year 2000 issues. In many cases this involved migrating the applications to the appropriate level of the underlying desktop software.

40. The Core Systems Development Section has performed an inventory of the third-party packages used at Headquarters and asked the respective vendors to provide a Year 2000 compliance statement. Where necessary, the applications will be upgraded to the compliant version or replaced with another package.

(c) Field systems

41. The Year 2000 compliant version of FMIS Field (Financial system) has been developed. It will be deployed to all field offices starting in June 1999, with completion by the end of the third quarter of 1999. The Year 2000 compliant version of MINDER has been available since July 1998. Some additional functionality will be added as of July 1999, with field deployment completed by the end of the third quarter of the year. The Year 2000 compliant version of the Medical Insurance Plan (MIP) system has been deployed to the field. The remaining standard field systems are Year 2000 compliant, namely the Field-Based Registration System (FBARS); the Registration of Individual Cases System (RICS); the Situation Report System (SITREP); the Commodity Tracking System (CTS); the Motor Items Monitoring System (MIMS); and the Pipeline Monitoring Module (PMM).

(d) Intranet

42. An exhaustive list was compiled of the more than 50 applications and utilities used in intranet development. Of these programs, the great majority are Year 2000 compliant in their current release version. Updates to a few utilities have been purchased to achieve full compliance. A certificate of Year 2000 compliance was obtained from the contractor involved with site redesign. Custom programming on the intranet site is currently extremely limited, makes no use of date processing and in any event will be replaced with commercial, certified-compliant utilities before the end of the third quarter in 1999.

(e) Telecommunications

43. All regular telecommunications equipment and sources have been checked, and all have issued compliance statements, or plan to do so shortly. For most applications, this is only a formality, as none of

the radio equipment UNHCR uses has date or time sensitive components or functions. The only major communications system identified as non-compliant was the HQ PABX. The necessary work has now been successfully completed and the PABX is now compliant.