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**Executive Committee of the  
High Commissioner's Programme  
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Item 7 of the provisional agenda  
**Consideration and adoption of the  
Revised Biennial Programme Budget 2012-2013**

## **Biennial Programme Budget 2012-2013 (revised)\* of the Office of the United Nations High Commissioner for Refugees**

### **Report by the High Commissioner**

#### **Addendum**

### **Report by the Advisory Committee on Administrative and Budgetary Questions\***

\* Submission date related to timing of meetings of the Advisory Committee on 5 September 2012 and transmission of the report to UNHCR on 28 September 2012.

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## I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report “Biennial Programme budget 2012-2013 (Revised) of the Office of the United Nations High Commissioner for Refugees” (UNHCR) (A/AC.96/1112). The Committee also had before it the following documents:

(a) Main risk areas and measures taken in response to the report of the Board of Auditors to the General Assembly on the accounts of the voluntary funds administered by UNHCR for the period ended December 2011 (A/AC.96/1111/Add.1, advance version).

(b) Financial report and audited financial statements for the year ended 31 December 2011 and report of the Board of Auditors on the voluntary funds administered by the United Nations High Commissioner for Refugees (A/67/5/Add.5, advance version)

During its consideration of these reports, the Advisory Committee met with the Deputy High Commissioner and other representatives of the High Commissioner, who provided additional information and clarification.

2. The Advisory Committee also met with representatives of the Board of Auditors regarding their audit report on UNHCR (A/67/5/Add.5). The Committee’s views and recommendations on the audit findings contained in the report of the Board will be presented in a separate report (A/67/381) to the General Assembly at its sixty-seventh session, covering all audited entities. Section IV below contains some of the issues specific to UNHCR raised in the report of the Board and the comments and recommendations of the Advisory Committee.

## II. Budget methodology and presentation

### A. Budget methodology

3. UNHCR indicates that, in contrast to other United Nations system organizations’ general practice, its programme budget is not formulated on the basis of resource availability, but rather on globally assessed needs of persons of concern to the Office, taking into consideration its capacity to implement the programmes. Subject to the approval of the programme budget by the Executive Committee, a global appeal is then launched for fund-raising purposes (A/AC.96/1112, summary). As UNHCR’s budget can only be implemented to the extent that resources become available, monitoring and continuous re-prioritization are required in light of the availability of resources (*ibid.*, para. 22). The global needs assessment conducted for persons of concern to UNHCR for 2013 is explained in annex VI to the revised budget document.

4. The Advisory Committee recalls that UNHCR’s budget cycle, structure and methodology have evolved over the years: the Office moved from annual to biennial programme budget starting from the biennium 2008-2009 (A/AC.96/1040/Add.1, para.3); and, following consultations with donors and the approval by the Standing Committee and Executive Committee, it introduced in 2009 a new budget structure with four pillars for the biennial programme budget 2010-2011, which is based on an assessment of needs rather than on the expected availability of funds (A/AC.96/1068/Add.1, paras. 6 and 8).

5. The Advisory Committee observed in 2006, at a time when UNHCR followed an annual programme budget cycle, that the gap between requirements and funds available had become a recurrent theme of UNHCR’s annual programme. In anticipation of UNHCR’s transition to biennial budget, the Committee stressed the importance of ensuring

predictability, flexibility and early funding, particularly in the context of the biennial budget cycle which highlighted the importance of addressing the challenges in predicting and securing funding for the second year of the biennium (A/AC.96/1026/Add.1, paras. 5, 9 and 13).

6. The current budget structure since 2010-2011 consists of four components or pillars: Global Refugee Programme, Global Stateless Programme, Global Reintegration Projects and Global IDP Projects. According to UNHCR, the current structure was a joint effort with its donors, designed to reflect a shared goal of improved predictability and reduced earmarking of funding for UNHCR operations (A/AC.96/1040/Add.1, para.15). During its consideration of the new budget structure in 2009, the Advisory Committee raised a number of issues, including possible means of prioritization and the potential for further earmarking by donors (A/AC.96/1068/Add.1, paras. 9 and 10).

7. In this connection, the Advisory Committee recalls that UNHCR indicated at the time that the global needs assessment had aligned needs assessments, planned responses and resource mobilization mechanisms, through the use of the new results framework and the results-based management software application, *Focus*. As a result, information could be more readily accessed, analysed and consolidated. UNHCR acknowledged that, as in previous years, it was unlikely to know the precise level of voluntary contributions at the beginning of a year. All offices would, therefore, be obliged to plan for what they would implement first, and then to expand activities as more funds were made available. General guidance provided to the field to prioritize activities that were central to UNHCR's mandate had been consolidated into a common set of global strategic priorities, which would guide all offices in the prioritization of activities and resources (*ibid.*, paras. 13-15).

8. The Advisory Committee noted in 2011 that UNHCR continued to experience an increasing gap between the budgets, funds and expenditures from 2000 to 2012-2013, as illustrated in Figure A in the proposed programme budget for 2012-2013 (A/AC.96/1100/Add.1, para.6). The Committee also noted from the proposed budget for 2012-2013 that UNHCR was preparing a resource mobilization strategy that aimed to fund the totality of the globally assessed needs of persons of concern by 2015. The Advisory Committee expressed the view that the projection to fund the totality of the assessed needs by 2015 appeared to be ambitious (*ibid.*, para. 7).

9. With respect to the gap between the current budget and funds available for 2012, the Advisory Committee was informed that UNHCR was again on track to have more than \$2 billion in available funds for the year, which was an impressive result given the current global economic situation. Nevertheless, UNHCR acknowledged that the needs had also increased and the Office still faced a funding shortfall of some \$1.7 billion for 2012. UNHCR's resource mobilization strategy is briefly explained in paragraph 100 of the revised programme budget for 2012-2013.

10. The Advisory Committee notes that UNHCR has explored various ways, including redesigning its budget cycle, structure and methodology, to improve its financial transparency, predictability and stability. UNHCR, nevertheless, continues to face challenges in addressing the gap between the needs of persons of concern to the Office and the resource available to it. **The Advisory Committee points out that UNHCR's approach of presenting its budget, which is based on the global needs assessment of persons of concern rather than on expected availability of resources, has not provided a completely reliable prediction of its operations. The approach, therefore, renders measurement against its budget performance difficult, and thus impairs the budget function as a planning tool. Given that UNHCR's biennial budget continues to experience significant variations between budget and funds available, the Committee requests that UNHCR, in close consultation with its Executive Committee, to further review its budget formulation and presentation and consider alternative options.**

## B. Persons of concern to UNHCR

11. The Advisory Committee notes that the number of UNHCR's persons of concern has fluctuated over time. The Advisory Committee recalls that, as reported by UNHCR in 2007, the overall number of persons of concern to the Office increased from 21 million in 2005 to almost 33 million in 2006 (58 per cent), including refugees (from 8.7 million to 9.9 million), internally displaced persons (IDPs) (from 5.5 million to 12.8 million), and stateless persons (from 2.4 million to 5.8 million) (A/AC.96/1040, para. 20). The Committee sought further clarifications regarding the sharp increase of the number of persons of concern in 2006. It was indicated to the Committee that, UNHCR changed its way of counting persons of concern in 2006 for the four main reasons listed below:

(a) UNHCR enhanced its involvement with IDPs following the institutionalization of the "cluster approach"; As a result, the scope of its data collection with respect to IDP operations expanded throughout 2006, with the number of IDPs protected and assisted by the Office much increased at the end of 2006;

(b) The number of identified stateless populations more than doubled due to improved data availability, and in particular, due to a revised estimate by one government (3.4 million, compared with 400,000 persons);

(c) The increase in the number of refugees was attributable to both new displacement and newly available data based on adjusted parameters in selected developed countries, and

(d) IDP returnees rose to 1.9 million in 2006, compared with 500,000 in 2005.

12. The number of persons of concern to UNHCR is currently projected at 38,834,400 for 2012 and 38,245,200 for 2013, compared with the average actual number of 35,440,100 for 2011 (against an initial estimate of 39,238,230 as indicated in table A and annex III in A/AC.96/1100). The persons of concern to the Office, by category and by region, are provided in table A and annex III to the revised budget document, respectively. The Advisory Committee notes that the revised projection for 2013 shows an increase of some 3 millions persons of concern, compared with the initial projection for the year.

13. The Advisory Committee further notes that the presentation of the numbers UNHCR's persons of concern has changed: while the previous budget submissions showed actual figures of persons of concern by the end of the preceding years, the programme budget for 2012-2013 and its revision have included projected numbers for the biennium, in addition to the numbers of preceding years (see A/AC.96/1040, para. 20; A/AC.96/1100, para. 6 and table A; A/AC.96/1112, table A). **It is not clear to the Advisory Committee as to how the projected numbers of persons of concern, which appear higher than the actual figures, affect the formulation of the budget and revision proposed for 2012-2013. The Advisory Committee, therefore, requests that UNHCR, in the next budget submission, provide clarifications as to what extent the projected number of persons of concern contribute to the global needs assessment and budget estimates for 2014-2015.**

## C. Budget document presentation

14. With respect to the presentation of the revised biennial programme budget for 2012-2013, the Advisory Committee recalls its earlier position that, while the presentation has been improved and streamlined, further refinement could still be made in order to facilitate consideration of future budget proposals and revisions (A/AC.96/1100/Add.1, para.8). In this connection, the Committee notes that information with respect to expenditure patterns

has been included in section D and table D of the revised budget document, as requested by the Committee. The Committee further notes that this is the initial phase of improvements planned in response to the Committee's comments (A/AC.96/1112, annex II, para. 2). **The Advisory Committee welcomes the improvement made by UNHCR. The Committee is, however, of the view that table D would provide more comprehensive information if the expenditures under the four pillars could be included in future budget submissions and revisions.**

### III. Revised biennial programme budget 2012-2013

15. In the revised biennial programme budget for 2012-2013, the Advisory Committee notes that the programme budget for the biennium approved by the Executive Committee in 2012 is referred to as the 'initial budget'; the updated needs for 2012 (as of 30 June 2012) are presented as the 'current budget'; and the revised estimates for 2013 are submitted for approval as the 'revised budget' (A/AC.96/1112, para. 6).

#### A. Current budget for 2012

16. According to UNHCR, the current budget for 2012 reflects the updated requirements as of 30 June 2012, as adjusted by the High Commissioner based on the authority granted by the Executive Committee (ibid., annex VIII). Compared with the initial budget of \$3,591,184,500 for 2012, the current budget amounts to \$4,052,560,400, representing an increase of \$461.4 million, or 12.8 per cent (ibid., para.11 and table B). The increase of the current budget for 2012 mainly reflect an increase of \$489.7 million for the supplementary budgets established during 2012 for emergency assistance (for details, see annex I, table 6 of the revised budget document), offset partially by an overall net reduction of \$28.9 million (ibid., paras. 11 and 24).

#### B. Revised budget for 2013

17. The revised budget for 2013 is projected at \$3,924,238,600, an increase of 14.8 per cent, compared with the initial budget for the year. The revised resource estimates for 2013 include the requirements for the major operations initiated through the supplementary budgets in 2012 (A/AC.96/1112, paras.11 and 12). The revised resource allocation for programme activities for 2013, by the four pillars, is as follows: (a) Pillar I (Global Refugee Programme, \$2,756.3 million); (b) Pillar II (Global Stateless Programme, \$79.2 million); (c) Pillar III (Global Reintegration Projects, \$252.1 million), and (d) Pillar IV (Global Internally Displaced Persons Projects, \$521.1 million) (ibid., table C). **The Advisory Committee points out that, while the current budget methodology reflects the additional requirements arising from the global needs assessment, it does not necessarily imply the actual availability of resources (see also section II above).**

18. The Advisory Committee notes from the revised budget a reduction of \$247 million for the field (7.1 per cent) for 2013 (\$3,235.5 million), compared with what is required for 2012 (\$3,482.6 million) (ibid., para.19 and annex I, table 1). The Advisory Committee enquired as to how the reduction exercise was undertaken and it was informed that, compared with the current budget for 2012, the major reductions for 2013 were reflected in Africa and in the Middle East and North Africa region as follows: (a) while Africa's share of the overall budget was maintained for 2013, resources requested for all sub-regions would decrease, except for West Africa which was due to the Mali emergency, and (b) for Middle East and North Africa region, UNHCR would expand its programmes in Jordan and Lebanon, and would reduce its programmes in Iraq, Tunisia, Libya and Mauritania. In the

revised budget document for 2012-2013, the projected trends of UNHCR operations by region are described in paragraphs 46-79, and the current budget for 2012 and the revised budget for 2013, by region and operation, headquarters and pillar, are provided in annex I, table 4.

19. The revised biennial programme budget for 2012-2013 contains two reserves: the Operational Reserve and the “New or additional activities – mandate-related” (NAM) Reserve. The Operational Reserve is calculated at 10 per cent of the total budget under Pillars I and II, which is revised to \$283.5 million for 2013. UNHCR proposes to maintain the current annual appropriation level of \$20 million for the NAM Reserve (*ibid.*, para. 14). The Office also proposes to maintain an annual provision of \$12 million for its Junior Professional Officers programme (see also para. 23 below).

**20. Notwithstanding the Advisory Committee’s view on the current budget methodology as described in section II and paragraph 18 above, the Committee has no objection to the revised programme budget for 2013.**

### C. Post requirements

21. Information with respect to UNHCR workforce is explained in paragraphs 26 to 33 and illustrated in tables 7 to 10 of annex I to the revised budget document. It is indicated by UNHCR that the increase of 636 posts (7.5 per cent) in the revised budget for 2013, compared with the 8,451 posts in the initial budget approved by the Executive Committee, is due to the expansion of emergency operation during 2012, which would require continued intervention by UNHCR during 2013. The increased 636 posts are allocated to programme (518), programme support (97) and management and administration (21) (for categorization of posts, see annex IV of the revised budget document). UNHCR also indicates that the increase in the number of posts for 2013 is proportionate to the increase in the revised budget for 2013 (\$3,924.2 million), compared with the initial budget for 2012 (\$3,591.2 million).

22. The Advisory Committee notes from table D in the revised budget document that the expenditures for UNHCR’s Junior Professional Officers (JPOs) programme decreased from \$11.1 million in 2010 to \$9.6 million in 2011. The Committee enquired on the retention rate of former JPOs by UNHCR and was informed that the average retention rate for former JPOs in the Office exceeded 50 per cent over time. The Committee was also provided with a table which showed that, for the period from 1996 to 2011, a total of 180 former JPOs were offered posts by UNHCR. Of this total, 11 former JPOs were from developing countries sponsored by developed countries. **The Advisory Committee observes that JPOs are a major source for recruitment of UNHCR staff, which could impact the geographical diversity of the staffing in the Office.**

23. With respect to the long-standing issue of staff in-between assignments (SIBAs), the Advisory Committee was informed, upon enquiry, that UNHCR had taken a number of proactive measures over recent months to reduce the number of such staff who were on full pay status but without any assignments. The number of SIBAs had consequently been reduced to 49 by the end of August 2012, compared with 61, 75 and 72 as at 31 August 2009, 2010 and 2011, respectively. Further, the Committee was informed that UNHCR was finalizing a policy proposal with additional formal measures to address the issue. **The Advisory Committee is concerned that the issue of staff in-between assignments at UNHCR has been a persistent one. While the Committee recognizes UNHCR’s dynamic workforce and its operational requirements to rely on temporary assignments, including staff in-between assignments (see also A/AC.96/1100/Add.1, para.14), the Committee is also of the view that UNHCR’s proposed new policy should aim to achieve a final resolution to the issue of staff in-between assignments who**

receive full pay but without any assignments. The Committee requests that information with respect to the new policy and results from its implementation be reported in the next budget submission.

#### **D. Regular budget**

24. Financing of UNHCR under the regular budget of the United Nations is explained in paragraphs 20 and 21 of the revised budget document. A total of 220 management and administration posts, including those for the High Commissioner and the Deputy High Commissioner, will continue to be funded by the appropriation under the regular budget for 2012-2013 (*ibid.*, annex I, table 10). The Advisory Committee notes from the revised budget document that, currently, the United Nations regular budget covers approximately 40 per cent of UNHCR's management and administration costs, and 1.2 per cent of its proposed revised budget for 2012-2013. **The Advisory Committee trusts that continuous revisions to UNHCR's biennial programme budget will not affect the regular budget component as approved by the General Assembly.**

### **IV. Follow-up to the recommendations of the Board of Auditors**

25. The Board of Auditors has audited UNHCR's financial statements for 2011 and issued an unqualified audit opinion (A/67/5/Add.5). The Board's key findings and recommendations cover the following five areas: preparation of financial statements, financial management, progress towards implementation of International Public Sector Accounting Standards (IPSAS), organization risk management, and procurement. With respect to recommendations previously raised by the Board, the Advisory Committee notes that the Board is content that UNHCR is responding positively to the concerns raised and that the Board will continue to work with UNHCR management to address its concerns and to monitor the effectiveness of the action taken (A/67/5/Add.5, chap. II, summary).

#### **A. International Public Sector Accounting Standards**

26. UNHCR fully adopted IPSAS as of 1 January 2012, with the aim of publishing IPSAS-compliant financial statements by the end of the year. It is indicated that a risk register has been developed to monitor the project implementation (A/AC.96/1112, para. 96). The Board of Auditors found that the Office had made good progress with respect to accounting policies, pro formas for financial reporting, consideration of opening balances, planned dry runs for key processes during 2012, capitalisation thresholds and data cleansing in relation to property, equipment and capital assets (A/67/5/Add.5, para.91).

27. The Board of Auditors has, however, highlighted a few issues that require further attention, such as monitoring of year-end expenditure of implementing partners; property, plant and equipment, and capitalisation of inventories (*ibid.*, paras. 93-101). The Board has also reiterated its previous recommendation that UNHCR should develop a methodology to formally track and manage IPSAS benefits realisation. The Advisory Committee notes the indication that UNHCR is developing such a methodology and will present it to the IPSAS Steering Committee for endorsement during the third quarter of 2012 (*ibid.*, para. 101). **The Advisory Committee requests that information with respect to the adoption of an IPSAS benefits realisation methodology be provided in the proposed biennial programme budget for 2014-2015.**



## B. Organization risk management

28. The Board of Auditors observes that UNHCR has not yet implemented a systematic organization-wide approach to risk management (*ibid.*, chap. II, summary). UNHCR's plan to adopt an enterprise risk management (ERM) framework is explained in paragraphs 15 to 19 of its document A/AC.96/1111/Add.1. It is indicated therein that UNHCR agreed to implement the Board's recommendation by adopting a scalable ERM framework which would initially focus only on high-impact/high-probability risks, with some of the more complex aspects of ERM being developed in later years when risk management experience and skills had grown within the Office. The project would also build upon internationally recognized frameworks and existing materials developed by other public sector entities and the United Nations agencies. UNHCR also indicates that, while a simple ERM framework and methodology may be achieved by the end of 2012, it would be imperative to test the methodology, tools and learning materials in both the Field and headquarters prior to global implementation. During 2013, 10 major country operations and main headquarters divisions would receive training through targeted risk assessment exercises. **The Advisory Committee agrees with the Board of Auditors that UNHCR should develop an enterprise risk management framework and requests that progress achieved in this regard be provided in future budget submissions.**

## C. Independent Audit and Oversight Committee

29. The Advisory Committee recalls that UNHCR established an Independent Audit and Oversight Committee (IAOC) to assist both the High Commissioner and the Executive Committee in the exercise of their oversight responsibilities (A/AC.96/1100/Add.1, para.22). The Committee notes that IAOC met for the first time in June 2012, and will continue with a full programme of work, including four meetings, in 2013 (A/AC.96/1112, para. 106). The Advisory Committee received, upon enquiry, information with respect to generally accepted principles and good practices from representatives of Internal Audit Services of the United Nations entities and multilateral institutions, which is attached to the present report for information as Annex I. The Advisory Committee's comments on the IAOC and internal audit committees of other United Nations entities will be reflected in its forthcoming report (A/67/381) on the report of the Board of Auditors.

30. The Advisory Committee further notes from the report of the Board of Auditors that the Board supports, and has previously advised UNHCR on, the development of IAOC and will consider its effectiveness in future reports of the Board (A/67/5/Add.5, para.189). **The Advisory Committee will follow up on the results from the work of the Independent Audit and Oversight Committee in its consideration of future reports of the Board of Auditors.**

## D. Funding of end-of-service liabilities

31. The Advisory Committee recalls that the Standing Committee of UNHCR adopted a decision in 2011 to commence partial funding of UNHCR's end-of-of service and post-retirement liabilities, including after-service health insurance (ASHI), with effect from 1 January 2012. UNHCR indicated that it would undertake a formal review, in consultation with the Board of Auditors, to assess the assumptions against the reserve and to make adjustments required on a biennial basis, in line with the budget cycle. The review would take into account any relevant discussion by the General Assembly of the United Nations in this regard (A/AC.96/1100/Add.1, para. 19). In its audit report on UNHCR (A/67/5/Add.5, para. 55), the Board of Auditors notes the development of a funding strategy by UNHCR

and welcomes the commitment of the Office to keep the matter under continuous review. The Board indicates that it will monitor progress and report in that regard in future years. **The Advisory Committee will continue to follow up on the issue in the context of its consideration of future reports of the Board of Auditors on UNHCR.**

**Generally Accepted Audit Committee Principles and Some Identified Good Practices**

	Accepted Principles	Some Identified Good Practices
Purpose	The audit committee, as an independent advisory expert body, should assist the governing body and the executive head of the entity as appropriate, in fulfilling their oversight and governance responsibilities.	<ul style="list-style-type: none"> <li>➤ The audit committee assists primarily the governing body and, as needed, the executive head of the entity, as independent advisory expert body.</li> <li>➤ The audit committee helps ensure the governing body has independent and objective assurance on the effectiveness of the entity’s controls, risk management, governance practices and accountability processes.</li> <li>➤ Oversight responsibilities include a) the integrity and appropriateness of financial and other reporting practices, b) the effectiveness of internal controls, risk management, tone at the top and governance practices, c) the performance of the internal audit/oversight function, d) the monitoring process for compliance with laws, regulations, and integrity and ethics (e.g. code of conduct), and e) the external auditors’ qualifications and independence.</li> </ul>
Authority	The audit committee should have all the necessary authority to fulfil their responsibilities.	<ul style="list-style-type: none"> <li>➤ The audit committee has free and unrestricted access to any information, staff—including internal auditors—and external auditors or any external parties that is necessary to fulfil their mandate and roles and responsibilities.</li> <li>➤ The head of internal audit/oversight and the external auditors have unrestricted and confidential access to the chairperson of the audit committee.</li> </ul>
Composition	The audit committee and its members should be independent and objective.	<ul style="list-style-type: none"> <li>➤ The audit committee is composed entirely of independent external members of the entity.</li> <li>➤ The audit committee reports directly to the governing body.</li> <li>➤ The audit committee has no management powers or executive responsibilities.</li> <li>➤ All members of the audit committee are approved by the governing body.</li> </ul>

	The size of the audit committee should be determined by the size of the governing body and of the United Nations entity.	<ul style="list-style-type: none"> <li>➤ The audit committee comprises a minimum of three members and normally not more than five.</li> <li>➤ The quorum for the committee is a majority of the members.</li> <li>➤ Members serve in a personal capacity, therefore alternates are not allowed.</li> </ul>
	Members of the audit committee should have collective skills, knowledge and experience to fulfil their responsibilities.	<ul style="list-style-type: none"> <li>➤ Skills mix includes good management experience and understanding of finance, accounting, financial reporting in the public sector or UN entities/other multilateral institutions, internal controls and risk management, internal and external audits, governance and knowledge of the entity.</li> <li>➤ At least one member is a financial expert with good knowledge of generally accepted accounting principles and financial statements, internal controls and procedures for financial reporting.</li> <li>➤ Members of the audit committee are oriented and trained on the committee's objectives and responsibilities, internal and external audit functions, risk management and functions/operations of the UN entity.</li> <li>➤ Members of the audit committee are free of any real or perceived conflict of interest.</li> </ul>
<b>Responsibilities</b>		
<b>Risk and Controls</b>	The audit committee should review— together with the internal auditors, external auditors and management— and advise the governing body, at least annually, on the effectiveness of the entity's internal control systems, including the entity's control assurance statements and risk management and governance practices.	<ul style="list-style-type: none"> <li>➤ The audit committee reviews with management and the internal and external auditors the effectiveness of the entity's internal controls and any related significant findings and recommendations together with management's responses, including the timetable for implementing recommendations.</li> <li>➤ The audit committee reviews, at least annually, the entity's risk management process and risk profile. It reviews the entity's process for assessing significant risks or exposures and the steps management has taken to manage and mitigate risks.</li> <li>➤ The audit committee reviews, through the results of internal and external audits, the entity's policies, systems and practices to ensure the appropriateness of internal controls over financial reporting, efficiency and effectiveness of operations, safeguarding of resources, and compliance with laws, regulations and rules.</li> </ul>
<b>Financial Statements</b>	The audit committee should review and advise the governing body on the financial statements of the entity, including the external auditors' opinion on the financial statements, and management letters and other reports arising from the external audit of the entity's financial statements.	<ul style="list-style-type: none"> <li>➤ The audit committee reviews and be familiar with the accounting and reporting principles, policies, standards and practices that the entity has applied in preparing its financial statements and other financial information reported by the entity.</li> <li>➤ The audit committee reviews the annual report of the entity and other significant accountability reports to ensure that, to the best of their knowledge, there are no material misstatements or omissions.</li> <li>➤ The audit committee reviews the reports from the external auditors.</li> </ul>

<b>Internal Audit/Oversight</b>	<p>The audit committee should review and advise the governing body on the appropriateness of the independence of the internal audit/oversight function; the internal audit/oversight resources and staffing; and the performance of the internal audit/oversight function.</p>	<ul style="list-style-type: none"> <li>➤ The audit committee reviews the performance of internal audit/oversight function including the review of risk assessment processes, plan and budgets (including making an assessment of the appropriateness of oversight resources), and periodic external quality assessment.</li> <li>➤ All internal audit/oversight reports are made available to the audit committee for their consideration.</li> <li>➤ The audit committee reviews periodic activity reports on the results of the internal audit/oversight function.</li> <li>➤ The head of internal audit/oversight reports periodically to the audit committee on the implementation of management’s action plans for implementing internal audit recommendations and on the effectiveness of the actions taken. The head of internal audit/oversight reports all areas where management has accepted a level of risk that is unacceptable to the entity.</li> <li>➤ The audit committee reviews the appropriateness of the internal audit/oversight charter.</li> <li>➤ The audit committee is consulted on the appointment, renewal and dismissal of the head of internal audit/oversight.</li> <li>➤ The audit committee reviews management’s responsiveness to internal audit/oversight findings and recommendations.</li> </ul>
<b>External Audit</b>	<p>The audit committee should review and advise the governing body on the scope and approach of the external auditor’s planned examination and the reports there from.</p>	<ul style="list-style-type: none"> <li>➤ The audit committee ensures that the entity’s management has appropriate mechanisms to support the external auditors in carrying out their work.</li> <li>➤ The audit committee considers the work plan of the external auditors.</li> <li>➤ The audit committee periodically meets with the external auditors and seek their comments and advice on matters of risks, controls and governance.</li> <li>➤ The audit committee assesses the performance of external auditors and make recommendations to the governing body.</li> <li>➤ The audit committee is consulted and provide advice on the appointment of the external auditor (including on the costs for the audit).</li> </ul>
<b>Reporting</b>	<p>The audit committee should report to the governing body on the committee’s activities, issues and results, and on its own effectiveness in discharging its responsibilities.</p>	<ul style="list-style-type: none"> <li>➤ The audit committee prepares a report after every meeting, an annual report, and any special report if required, to the governing body and executive head. The annual report should confirm whether the committee has fulfilled all its responsibilities established in the charter and achieved its stated objectives for the period.</li> <li>➤ The reports of the audit committee are distributed to the external auditors, and others as deemed necessary, in accordance with the reporting structure of the entity.</li> <li>➤ The committee’s annual report includes its assessment of the performance of the internal audit/oversight function (such as actual achievements against work plans) and external audit, and recommendations, if necessary, for the improvement of risk management, controls and governance processes.</li> <li>➤ The audit committee reviews its own performance at least annually.</li> </ul>

	The audit committee should maintain and promote effective communication with the governing body (or other governing and legislative authority), the management, the head of internal audit/oversight and the external auditors.	➤ Management has a good understanding of the audit committee's purpose and responsibilities.
<b>Values and Ethics (Compliance)</b>	The audit committee should review, at least annually, the systems established by the entity to maintain and promote international civil service values; and to ensure compliance with laws, regulations, policies and high standards of integrity and of ethical conduct to prevent conflicts of interest, misconduct and fraud.	<ul style="list-style-type: none"> <li>➤ The audit committee obtains regular updates regarding any litigation, including assessments of related contingent liabilities, investigations, frauds, ex gratia and special payments.</li> <li>➤ The audit committee reviews the appropriateness and adequacy of anti-fraud policies, whistle-blowing arrangements and ethics provisions.</li> <li>➤ The audit committee reviews the appropriateness of the system in place to receive, investigate and take actions on the allegation of the fraud and misconduct.</li> </ul>