

**Executive Committee of the  
High Commissioner's Programme**

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**Standing Committee**  
61<sup>st</sup> meeting

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**Report of the Independent Audit and Oversight  
Committee, 2013-2014**

*Summary*

At its fifty-first meeting in June 2011, the Standing Committee agreed, through the adoption of the decision contained in A/AC.96/1104, Annex II, to the establishment of an Independent Audit and Oversight Committee to “assist the High Commissioner and the Executive Committee in the exercise of their oversight responsibilities in accordance with relevant best practices, industry standards and the financial rules and staff regulations and rules applicable to UNHCR.” (A/AC.96/1104, Annex II) This is the Committee’s second annual report, covering the period from July 2013 through June 2014.

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## I. Introduction

1. The Independent Audit and Oversight Committee (IAOC), hereafter referred to as “the Committee,” was established by decision of the Standing Committee in June 2011.<sup>1</sup> Subsequently, the High Commissioner, with the consent of the Executive Committee, appointed the following five members of the IAOC: Mr. Salleppan Kandasamy (Malaysia); Mr. Sam Karuhanga (Uganda/United Kingdom); Mr. Kenneth Langford (Switzerland); Mr. Verasak Liengsrirawat (Thailand); and Ms. Mari Simonen (Finland). Following the resignation of Mr. Langford, Ms. Lynn Haight (Canada) was appointed in October 2013. The members of the IAOC were selected competitively and appointed based on their professional qualifications and experience with international organizations in the fields of oversight and management, particularly in the areas of governance, risk management, internal controls, financial management and reporting. All IAOC members are independent of UNHCR and its management.

2. The Committee serves in an expert advisory capacity to assist the High Commissioner and the Executive Committee in exercising their respective oversight responsibilities. The Committee’s work in providing independent senior-level advice is guided by the following: its terms of reference<sup>2</sup>; UNHCR’s policies; the financial, staff and other regulations and rules applicable to UNHCR; and industry standards and best practices that are relevant to UNHCR. In discharging its function, the Committee has engaged in the following activities: (i) reviewing the processes applied to planning of oversight activities within UNHCR and the execution of the work plans; (ii) reviewing the adequacy of resources applied to oversight activities; (iii) reviewing the outcome of oversight activities and management responses thereto; and (iv) reviewing policies, procedures and internal controls for the management of organizational risks and enhancement of performance and accountability.

3. This is the second annual report presented by the Committee, pursuant to Section 5 of its terms of reference. It covers the work of the Committee from July 2013 through June 2014.

## II. Summary of activities

4. The Committee met in three formal sessions at UNHCR’s headquarters in Geneva, Switzerland, from 7-9 October 2013, 24-26 February 2014 and 16-18 June 2014. All members attended all three sessions.

5. During the reporting period, Mr. Karuhanga acted as Chairperson of the Committee, and Ms. Simonen as Vice-Chairperson. The Committee adopted its 2014 work plan during the February 2014 session.

6. In its formal sessions, the Committee reviewed several areas, including: (i) the internal audit function carried out by the UN Office of Internal Oversight Services/Internal Audit Division (OIOS/IAD) in Geneva; (ii) the inspection and investigation function carried out by the Office of the Inspector General; (iii) the external audit function carried out by the UN Board of Auditors; (iv) the evaluation function carried out by the Policy Development and Evaluation Service (PDES); (v) the control environment and internal

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<sup>1</sup> See A/AC.96/1104, Annex II.

<sup>2</sup> See EC/62/SC/CRP.24/Rev.2

control system; (vi) the financial statements and reporting under International Public Sector Accounting Standards (IPSAS); (vii) enterprise risk management (ERM); (viii) results-based management; and (ix) information and communications technology.

7. In addition to the Committee's formal sessions, one Committee member carried out a familiarization visit to UNHCR's operations in Amman, Jordan. Through meetings with representatives of the Regional Bureau for the Middle East and North Africa as well as the UNHCR country office, a better understanding was obtained of the manner in which UNHCR manages and oversees complex operations such as the one in Jordan. Visits to Zaatari camp and several UNHCR warehouses completed the overview.

### **III. Main observations and recommendations**

#### **A. Oversight of the Syria situation**

8. The Committee paid close attention to the Syria emergency operation during the reporting period, as both the number of persons of concern and the financial resources implicated by the situation are significant. As the situation is complex and prolonged, the Committee recommended that UNHCR should ensure that adequate oversight capacity is deployed to the operation (in all concerned country and field offices).

9. The Committee was pleased to note that, following its recommendation, UNHCR initiated action under the leadership of the Deputy High Commissioner to strengthen oversight of the Syria operation. The Committee looks forward to UNHCR's deliberations on permanent solutions for this difficult situation.

10. The Committee urged UNHCR to systematically include the necessary co-ordinated oversight capacity, as a matter of policy, in the emergency response plan for all large emergencies.

#### **B. Internal audit**

11. The Committee dealt in-depth during the reporting period with the internal audit service provided to UNHCR by OIOS. It was also briefed on several occasions with regard to discussions to bring the internal audit function "in-house".

12. While the Committee continues to be of the opinion that UNHCR would benefit from establishing a unified internal oversight service consisting of an internal audit unit (incorporating the inspection function) and an investigations unit, it recognized that UNHCR and OIOS were working closely together on strengthening the internal audit service provided to UNHCR. This could include the development of key performance indicators to be reflected in a revised memorandum of understanding.

13. Pending possible future changes in arrangements, the Committee was pleased that additional resources for the internal audit service had been approved, and it recommended that OIOS further increase its productivity and the timeliness of issuing its audit reports.

#### **C. Inspector General's Office**

14. The Committee met with the Inspector General's Office (IGO) during each of its sessions and was briefed extensively on the IGO's involvement in discussions with OIOS

throughout the year on possible transition arrangements relating to in-housing internal audit.

15. While taking note that such discussions had been time-consuming, the Committee expressed continuing concerns regarding the general productivity of the Inspection Service, given that very few inspection reports had been issued in 2013 and none yet in 2014. In addition, the resources dedicated to inspection and investigation were not clear in their totality, as the Inspection Service relies heavily on staff “on loan” from other divisions and the Investigation Service on consultants and “staff-in-between-assignments”.

16. The Committee took note with appreciation of the report issued by the IGO on recurrent issues emerging from inspection and audit reports and underlined the importance for management to address these issues to prevent their repetition.

17. The Committee recognized that the IGO should be adequately resourced, including with staff with professional qualifications, and it emphasized the need for the Investigation Service to develop as soon as possible a response plan to address the recommendations of the independent peer review by the European Anti-Fraud Office (OLAF) in a suitably cost-beneficial manner.

18. The Committee welcomed UNHCR’s commitment to improve oversight, including the consideration of the recruitment of a director of oversight with professional internal oversight qualifications. This would contribute to managing the risks of fragmentation of the various oversight entities and optimizing the added value of each. It stressed that, whatever arrangement is being made regarding the in-housing of internal audit, UNHCR management is responsible for ensuring robust internal oversight at all levels of resources. The effectiveness of oversight could be further strengthened, once all high-risk areas, functions and processes are mapped out and are adequately covered by one or other of the oversight entities.

#### **D. External audit**

19. The UN Board of Auditors is the external auditor for UNHCR. Currently, the United Kingdom, as a member of the Board of Auditors, has been assigned the responsibility for the audit of UNHCR, a responsibility carried out by the National Audit Office.

20. The Committee took note of the fact that the Board’s audit report on UNHCR’s financial statements for the 2013 financial period was unqualified. It expressed appreciation for the work and recommendations of the Board. It noted with interest that the Board would, as part of its work plan for the audit of the 2013 financial statements, continue to follow-up on issues relating to the internal control framework, the effectiveness of results-based management, and enterprise risk management.

#### **E. Enterprise risk management**

21. Progress in the area of enterprise risk management (ERM) was initially slow, as also noted by both external and internal auditors. However, following the appointment of a senior risk officer in October 2013, the Committee was pleased to note developments towards the establishment of an ERM framework in UNHCR. In particular, the Committee noted the experience of the ERM team with carrying out risk assessments in five operations affected by the Syria situation, the results of which were fed into the ERM policy and methodology to be issued prior to the current session of the Executive Committee.

22. The organization's plan for enterprise risk management is ambitious, considering the resources allocated to it. The Committee noted the importance of delivering on the implementation aspects and stressed that sufficient resources are needed to roll-out ERM. A draft consolidated strategic risk register from the different units should be finalized in the next few months. ERM implementation should also be extended to headquarters Divisions and Bureaux, particularly given the discussion on roles, responsibilities and risk ownership. The Committee believes that, in due course, ERM should become embedded in routine management activities for all staff.

## **F. Accountability**

23. A comprehensive and integrated internal control framework is a core element of good governance that promotes and enhances accountability for proper management of risks and performance, particularly in large, complex and decentralized organizations. The Committee has recommended that UNHCR adopt the internationally-recognized internal controls standards of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This would assist UNHCR in consolidating all internal control into one unified and transparent framework, consistent with international standards and best practices. This will further enhance performance and risk management as well as accountability within the organization.

24. A number of elements of an internal control framework are already in place in UNHCR. The Committee appreciated that UNHCR is reviewing its internal control framework with a focus on financial management, but it agreed with the Board of Auditors that – while transactional level controls are important – a high-level strategic control framework should embrace the organization's operations as a whole. Such framework should also be integrated with risk management and performance management to provide coherence to all the initiatives. In this context, the Committee was looking forward to receiving the framework on personal accountability that is being prepared in parallel. The Committee regards the personal accountability framework as being of paramount importance and encouraged UNHCR leadership to highlight personal accountability to staff. The Committee reminded UNHCR that, even under existing constraints, personal accountability within UNHCR could already be implemented better, using existing instruments, although it recognized that this would require exceptional leadership and a culture change in the organization.

## **G. Financial statements and financial reporting**

25. The Committee complimented UNHCR for the fact that the financial statements for the period ended 31 December 2013 were prepared without delay and were unqualified. The Committee recognized, in particular, the importance and clarity of fully reflecting all property, plant and equipment in the 2013 financial statements and appreciated the organization's efforts for not continuing to invoke the transitional provision under IPSAS 17.

26. The Committee also expressed appreciation to the Controller for the development and issuance of monthly country financial reports (CFRs) to representatives, and it considered that these reports presented an excellent tool to strengthen financial management. It noted that the next step would be to ensure that the CFRs are linked to personal accountability to continue improving programme execution and performance management.

## **H. Implementing partnership management**

27. The Committee noted progress on initiatives to enhance the management of implementing partners. It reiterated its call for efforts and resources that continue to be needed for the implementation of the new and forthcoming policies and procedures relating to implementing partnership management, and the monitoring thereof. The Committee felt that urgency was needed with the finalization of these policies, in view of the magnitude and risk of partnership operations.

## **I. Other matters**

### **Results-based management**

28. The Committee was given several briefings on results-based management at UNHCR, and it received a presentation of the relevant available tools, in particular the reports and dashboards that have been configured through Global Focus Insight. The Committee recognized the efforts that were undertaken to populate data at the field level and to consolidate data. One of the challenges is the lack confidence in the robustness of the baseline data used to measure programme performance. The Committee was of the view that the system should facilitate the decision-making process in UNHCR by generating appropriate performance reports for use by all stakeholders, and it emphasized that UNHCR should continue to ensure that the system is as stream-lined and user-friendly as possible, in particular for operations.

### **ICT management**

29. The Committee considered information and communication technology (ICT) management as a high risk area for UNHCR and reviewed this area with attention. It was pleased to note the systematic approach taken by the newly-appointed Chief Information Officer in tackling strategic issues relating to ICT management, as well as progress made in addressing open audit recommendations.

30. The Committee was briefed in detail on the multi-year project to update the finance/supply chain module of UNHCR's enterprise resource planning system, MSRP. It was reassured by UNHCR's commitment to arrive at unified systems delivered with minimal customization, within the set timeframe and within the estimated budget.

### **Fraud prevention and mitigation**

31. While appreciating the fact that UNHCR issued its Strategic Framework for the Prevention of Fraud and Corruption in 2013, the Committee expressed concerns regarding progress with implementation and follow-up in addressing fraud cases. Fraud prevention and mitigation require acknowledged central ownership and leadership within the organization, where UNHCR must "practice what it preaches" in terms of zero-tolerance towards fraud, showing a strong anti-fraud culture from the highest level. Additionally, the Committee recommended that the Investigation Service carry out more pro-active investigations, based on fraud risk indicators and analysis.

### **Internal Compliance and Accountability Committee**

32. The core responsibility of the Internal Compliance and Accountability Committee (ICAC), chaired by the Deputy High Commissioner, is to ensure effective organizational accountability by reviewing, prioritizing and monitoring outstanding critical

recommendations identified by internal and external oversight bodies. The Committee was updated during each session on the matters that had been reviewed by the ICAC.

33. The Committee noted the ICAC's efforts to prevent the future repetition of recurrent issues emerging from inspection and audit reports, by determining for each recommendation whether appropriate follow-up is already in place, is still relevant or whether no follow-up is needed. It expressed appreciation for the fact that the number of aging (i.e., over two years) internal audit recommendations had been significantly reduced as a result of the ICAC's follow-up.

34. The Committee continued to be convinced that the ICAC's proactive approach to monitoring oversight recommendations, by directly involving relevant divisions or services, is likely to continue to positively impact and improve UNHCR's operations.

#### **IV. Acknowledgements**

35. The Committee would like to express its appreciation for the support and cooperation rendered by the High Commissioner, the Deputy High Commissioner and UNHCR management and staff, including especially the Secretary of the Committee. It is also grateful to the Regional Bureau for the Middle East and North Africa as well as the UNHCR office in Jordan for hosting a familiarization visit by one of its members. The Committee has greatly valued the in-depth presentations and briefings that were made by UNHCR senior managers, the Office of Internal Oversight Services (OIOS) and the United Nations Board of Auditors and which enabled it to carry out its mandate to assist the High Commissioner and the Executive Committee in their oversight responsibilities.