

Independent Audit and Oversight Committee (IAOC)

Annual Report
July 2015 – June 2016
(EC/67/SC/CRP.25)

Presented by
Ms. Lynn Haight, Chairperson
Mr. Salleppan Kandasamy, Vice-Chairperson

Introduction

- IAOC first session June 2012
- Five international members appointed to the Committee
- Report covers IAOC activities from July 2015 to June 2016

Major Areas Reviewed

- Practice of financial oversight in UNHCR
- Internal Audit (UN Office of Internal Oversight Services OIOS)
- Inspection and Investigation (Inspector General's Office IGO)
- External Audit (UN Board of Auditors)

Major Areas Reviewed (*cont.*)

- Evaluation (Policy Development and Evaluation Service PDES)
- Enterprise Risk Management (ERM)
- Internal Control Framework
- Financial Statements preparation and Financial Reporting under IPSAS

Oversight in UNHCR

- Encouraged joint planning of activities with 2 year rolling horizon by OIOS, IGO, PDES
- Noted the comprehensive review of the different oversight functions within UNHCR conducted by an external consultant
- Now observe the executive reorganizing to achieve a more integrated, coherent and independent oversight function

Oversight in UNHCR (*cont.*)

- Encouraged regular meetings of DHC and Internal Compliance and Accountability Committee (ICAC) and a refinement of its structure and role
- Observed that strengthening of internal control, and clarification of roles in the Desk functions are required: internal report is awaited

Internal Audit

- Welcomed analysis of “Key audit issues, risks and control weaknesses in UNHCR”
- Encouraged routine discussion of similar analyses with senior management
- Noted that OIOS will start reviewing systematically management of risks and mitigation measures

Internal Audit (cont.)

- Noted that OIOS has established a working group to revise rating system
 - Required relevancy and ease of reference
- Observed delay in responses to draft audit reports and delayed issuance of final audit reports
 - Re-iterated the need to comply with response deadlines and accountability
- Recommended OIOS increase its advisory services to complement assurance exercises

Inspector General's Office

- Recommended external recruitment of Inspector General position:
 - External candidate with competencies as oversight professional
 - Reconsideration of the fieldwork objectives, organization and complementarity with OIOS especially
- Noted meanwhile the appointment of a senior officer with extensive field and HQ experience in UNHCR in the interim

Inspector General's Office/Inspection

- Emphasized the need for:
 - Timely issuance of briefer inspection reports
 - Definition of clear scope and target subject matters
 - Fewer but relevant recommendations with responsibilities and timeframes
 - Risk based approach to inspections
 - Clear performance indicators for the department
- Commended clearance of past field work in early 2016

Inspector General's Office/Investigation

- Welcomed increased resources for function in January 2015
 - Reduction of backlog to maximum of 6-12 months per case
- Endorsed a proactive approach to investigations using strategic intelligence and data analysis
 - Need for materiality considerations in expending resources

Inspector General's Office/Investigation (*cont.*)

- Recommended
 - Development of system for clearer statistical report analysis
 - Reallocation of resources to more proactive investigations
 - Establishment of method to investigate partners independently for alleged or suspected wrongdoing and mismanagement
 - Ensure work related complaints to be addressed by managers and/or Ethics Office, not Investigation Service

External Audit

- Noted unqualified audit opinion on UNHCR's 2015 financial statements for 2015 issued by current UN Board of Auditors
- Observed actions taken by the outgoing auditors for a smooth transition and handover to newly appointed auditors as of 1 July 2016

Evaluation

- Regretted the length of time for the revised policy on evaluation to be completed
 - now in final clearance stage with senior management before issuance
- Urged finalization of evaluation policy based on the United Nations best practices
- Recommended efforts to professionalize PDES by recruitment of external expertise

Evaluation (*cont.*)

- Recommended an independent evaluation function with
 - Key performance indicators
 - Policy development separated
 - Work plan based on clear methodology and criteria
 - Focus on programme impact with a longer historical look to inform new and future programme policy development.

Enterprise Risk Management (ERM)

- Appreciated progress on the implementation within timeframes and costs
- Supported a consolidated platform for all categories of risks inclusive of fraud risks
- Recommended continued improvement and use of ERM on a regular basis by risk owners
 - Absorption of risk management into organizational culture
 - Regular monitoring by senior management of corporate risk register

Policy framework

- Perceived urgent need to simplify and consolidate policies and instructions applicable to field offices
 - Encouraged UNHCR to continue the process of policy reduction in numbers and simplification on issue

Financial statements and financial reporting

- Complimented DFAM for well structured account closing and timely preparation of financial statements for 2015
- Supported a charge on earmarked funds to cover support cost component
 - Adopted as a policy in January 2016

Financial statements and financial reporting (*cont.*)

- Recommended continued strengthening of field finance function in larger field units:
 - Improved communication between HQ and field finance
 - More robust capacity, including staff with authority to challenge costs & explore alternative solutions, from the budgeting through implementation
 - Exploration of potential modes of accommodating project details while aggregating by programme
 - Streamlining the Annual Programme Review process, commensurate with the level of risks associated with each of the submissions

Other matters

- Procurement through partners
 - Need for stronger accountability, starting at country level
- Human resources management
 - Interested in the presentation of 5-year people strategy
 - Appreciated the organization's efforts to move from transactional approach to strategic decision-making
 - Strongly supported use of business intelligence tools to determine staff requirements and skills over a long horizon

Other matters (*cont.*)

- ICT management
 - Commended UNHCR on progress achieved on ICT-related risk monitoring
 - Recommended
 - ICT-related risk monitoring through enhanced analysis of various risk indicators
 - Strategic real time risk register monitoring
 - Emphasis on cyber-security risks
 - Cost-benefit analysis to assess capital replacement fund

Results based management

- Noted launch of process for revising current RBM system
 - Recommended clarification and simplification of the RBM framework within reasonable timeframes
 - Cessation of further enhancements work on the current system meanwhile
 - Expeditious implementation of new RBM framework

Regionalisation

- Appreciated the annexes of report indicating the general accountabilities, responsibilities and authorities of the different levels of the organizational structure, but
 - Questioned whether regionalization policy would sufficiently resolve major problems (i.e. delegation of authority, communication and hierarchy) identified originally
 - Questioned whether level of detail and subsidiarity were sufficiently considered

Conclusion

- Strong emphasis on financial oversight:
 - Long lasting issue of oversight unit organization
 - Training, authority and experience for financial officers at larger offices in field is needed
- Generally, accountabilities, delegation of authority and followup could be improved
- Need for greater use of data analytics for purposes of forward planning and fraud identification
- UN climate of consensus building militates against speediness and toughness of decision making
- Resource shortages and perpetual emergencies militate against emphasis on long term organisation mandates, such as durable solutions

Thank you