Independent Audit and Oversight Committee (IAOC)

Annual Report
(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
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