




**Follow-up to the recommendations of the Board of Auditors on the financial statements for previous years (EC/65/SC/CRP.5)**

Ms. Kumiko Matsuura-Mueller  
Controller and Director  
Division of Financial and Administrative Management

59th Standing Committee  
6 March 2014


**agenda**



**External Audit by BoA**  
**Implementation of recommendations**  
**Key issues addressed by BoA in the report on 2012 financial statements**  
**Conclusions**

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## EXTERNAL AUDIT

### by the United Nations Board of Auditors

- The Board carries out an annual audit of UNHCR's financial statements
- The Board provides the General Assembly with an independent opinion on UNHCR's financial statements
- The Board conducts its audit in conformity with the International Standards of Auditing (ISA)
- The Board reviews implementation of the recommendations

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## IMPLEMENTATION of audit recommendations

### Board report on 2012 financial statements

- 27 recommendations issued
- UNHCR considers 13 of them as implemented as of January 2014

### Board report on 2011 and previous years financial statements

- 52 recommendations issued; out of which 12 were considered as closed by the Board and 40 remained open as at 31 March 2013
- UNHCR considers 31 out of the 40 outstanding recommendations as implemented as of January 2014

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## KEY ISSUES addressed by BoA in the report on 2012 financial statements

Implementation of IPSAS

Financial reporting

Inventory management

Vehicle fleet management

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## KEY ISSUES addressed by BoA in the report on 2012 financial statements

### 1. Implementation of IPSAS

#### Board findings:

- First IPSAS-compliant financial statements is a significant achievement
- UNHCR opted for the transition provision for recognizing PPE allowing five years to fully account for these assets



#### Follow-up:

- ✓ Robustness of asset register and accuracy of inventory information at year-end
- ✓ UNHCR's asset register contained all property, plant and equipment (PPE) at year-end
- ✓ Data validation through monthly analytical review of exception reports, daily review of purchase orders and field missions
- ✓ UNHCR will no longer apply the transition clause in the 2013 financial statement

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## KEY ISSUES addressed by BoA in the report on 2012 financial statements

### 2. Financial reporting

#### Board findings/recommendations:

- Enhance internal financial management reports to support informed management decisions

#### Follow up:

- ✓ Development and roll out of monthly country financial reports for Representatives and Regional Bureaux with information on key financial areas
- ✓ Additional reports are produced and enhanced for senior management, *inter alia*: monthly financial management report on organization-level; cash holding report; review of level of assets
- ✓ Upgrade of finance and supply chain module of UNHCR Enterprise Resource Planning system (PeopleSoft MSRP)

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## KEY ISSUES addressed by BoA in the report on 2012 financial statements

### 3. Inventory data and management

#### Board findings/recommendations:

- Improve accounting of inventories
- Enhance inventory management system and procedures

#### Follow up:

- ✓ Issuance of revised procedures (SOPs) for warehouse and inventory management
- ✓ Training for UNHCR inventory focal points / supply staff in field operations
- ✓ Monthly inventory reconciliation in the field
- ✓ Quarterly physical count of inventories
- ✓ Enhance inventory management system to support more informed replenishment decisions (in particular for core relief items and improve quality of inventory data)

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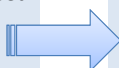


## KEY ISSUES addressed by BoA in the report on 2012 financial statements

### 4. Vehicle fleet management

#### Board findings/recommendations:

- Improve overall management of vehicle fleet
- Improve level of professionalism and specialist guidance on fleet management
- Improve vehicle deployment and use between countries



#### Follow up:

- ✓ Global Fleet Management project started January 2014
- ✓ All new light vehicles will be placed under an internal rental scheme and will be equipped with a tracking device to improve the information on vehicle utilization levels
- ✓ Development of fleet management manual
- ✓ Revised chart of accounts for enhancing information on operating vehicle costs
- ✓ Organization-wide vehicle fleet catalogue developed (rationalizing vehicle fleets)

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## CONCLUSIONS

- UNHCR appreciates the **valuable guidance** provided by the Board particularly in relation to the preparation of first IPSAS-compliant financial statements for the year ended 31 December 2012
- Production of IPSAS-compliant financial statements has been a major achievement and benefit for UNHCR
- Board's findings and recommendations have allowed UNHCR to focus its resources on the most relevant risk areas
- Addressing the Board's recommendations is a **management priority**
- UNHCR will continue to take action to address them and reiterates its commitment to improving procedures, systems and controls in order to mitigate the identified risks
- Full implementation of all recommendations cannot be achieved within one year

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The UN Refugee Agency

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