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Programme budgets, management, financial control
and administrative oversight

Financial statements for the year 2020 as contained in the Report of the Board of Auditors to the General Assembly on the audited financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended December 2020

Report by the High Commissioner

Addendum

**Key issues and measures taken in response to the Report of
the Board of Auditors for 2020***

* As per the decision contained in paragraph 19 of A/71/12/Add.1, this document is not subject to the standard submission pattern for official documents and is excluded from simultaneous distribution.



Content

	<i>Paragraphs</i>	<i>Page</i>
I. Introduction	1-8	3
II. Key findings relating to the 2020 audit	9-36	4
A. COVID-19 response	9-12	4
B. Decentralization and regionalization	13-15	4
C. Budget and finance	16-21	4
D. Cash assistance to beneficiaries	22-25	5
E. Implementing partnership management.....	26-27	6
F. Human resources management	28-30	6
G. Global fleet management	31-32	6
H. Business transformation programme	33-36	7
III. Conclusion.....	37	7
Annex Key recommendations issued in 2020 or outstanding from prior years and the measures taken to address them		8

I. Introduction

1. This report provides an overview of the key findings of the United Nations Board of Auditors (the Board) from its audit of the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2020,¹ as well as the measures taken or proposed by the Office in response to the key recommendations issued in 2020 and those outstanding from previous years.
2. UNHCR prepared the financial statements for the year ended 31 December 2020 in accordance with the International Public Sector Accounting Standards (IPSAS). The audit was conducted primarily to enable the Board to form an opinion on UNHCR's financial statements and included a general review of financial systems and internal controls, as well as a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements. During the course of the audit, the Board visited UNHCR headquarters in Geneva and the offices in Budapest and Copenhagen virtually, owing to the coronavirus disease (COVID-19) pandemic and the related travel restrictions. It also examined, virtually, field operations in Chad, the Niger, Pakistan, Rwanda and Yemen. The Board adjusted its processes of analysis and utilized alternative audit procedures to obtain reasonable assurance within the context of this remote audit.
3. Following its examination, the Board concluded that the financial statements fairly presented, in all material aspects, UNHCR's financial position, financial performance and cash flows for the year ended 31 December 2020, in accordance with IPSAS.
4. As per United Nations financial regulation 7.5, the Board also reviewed UNHCR's operations in order to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization.
5. The Board reported key findings and issued 44 new recommendations in the areas of budget and finance, and other areas related to the general administration and management of operations and internal controls. In particular, the topics covered by the audit report of this year were the following: the COVID-19 response, decentralization and regionalization, cash assistance to beneficiaries, partnership management, human resources management, global fleet management and the business transformation programme.
6. The Board noted that out of the 100 outstanding recommendations issued for 2019 and previous years, 64 recommendations (64 per cent) had been assessed as implemented or overtaken by events and closed, and 35 recommendations (35 per cent) were in the process of implementation at the time of the review. Of the latter, 27 recommendations relate to 2019, six to 2018 and two to 2017. The Board noted continued progress in implementing recommendations that were pending. Some recommendations under implementation relate to projects and initiatives that are still being rolled out or developed, such as the implementation of a new enterprise resource planning (ERP) system.
7. This document outlines the Board's key findings for 2020 and the measures that UNHCR plans to take to address these findings. The annex to this paper provides the list of the 19 new key recommendations issued in the 2020 audit report as well as those key recommendations outstanding from prior years, together with the actions taken to implement them.
8. A matrix containing additional information on measures taken and target dates estimated for the implementation of all 44 recommendations issued in 2020, as well as of the 35 outstanding recommendations from previous years, will be made available at <https://www.unhcr.org/standing-committee-meetings.html> under documentation for the eighty-second meeting of the Standing Committee.

¹ See A/76/5/Add.6.

II. Key findings relating to the 2020 audit

A. COVID-19 response

9. The Board acknowledged that the unprecedented global challenges presented by the COVID-19 pandemic led to a protection crisis for persons of concern to UNHCR. The Office declared a level-two emergency to respond to the pandemic, resulting inter alia in emergency procurement procedures, simplified partner selection processes and additional flexibility of country teams in providing assistance. It caused an operational shift across UNHCR with many staff members transitioning from their office facilities to teleworking and telecommuting arrangements.

10. During the virtual field visits, the Board inquired about the impact of the pandemic on the operational activities and observed that UNHCR identified an increased need for hygiene and medical items, such as personal protective equipment. The Board found that the assessment of needs, the receipt and the distribution of these items were not aligned in most of the sampled cases reviewed. The country offices did not always make use of distribution plans, and could not provide an overview of the items planned for distribution and those available in stock at a given time.

11. The Board therefore recommended improvements in the concerted support provided by headquarters and the regional bureaux to country operations with respect to the needs-based procurement and distribution of inventory during emergency situations, such as the COVID pandemic.

12. In response to this recommendation, UNHCR committed to continue to improve its support to country operations through providing better tools to forecast procurement and distribution requirements, and through providing more comprehensive guidance on the end-to-end management of core relief items.

B. Decentralization and regionalization

13. In its 2019 report, the Board commented on the interim status of UNHCR's decentralization and regionalization efforts. It made several recommendations with regard to the steering of the process; the new framework of roles, accountabilities and authorities; and the evaluation of the change process. Building on last year's audit, the Board found that the review of the framework of roles, accountabilities and authorities was still ongoing and that UNHCR identified a need to revisit the "three lines of defence" model to capture the latest updates of this model issued by the Institute of Internal Auditors.

14. Noting that the implementation of certain steps in the envisaged process was hampered due to the COVID-19 pandemic, the Board held that the steering of the process could be further enhanced. It recommended that UNHCR prioritized the redefinition and alignment of roles and responsibilities at the level of the regional bureaux and at headquarters level, and that it ensured that the roles of the redefined structures were reflected in the regulatory framework as applicable.

15. UNHCR explained that the realignment of its headquarters is a multi-year process and, to address these audit observations, it confirmed that the revision of the roles of country operations, regional bureaux and headquarters divisions has been largely completed and will inform the subsequent revision of accountabilities and authorities. When applicable, UNHCR will include specific information on roles in the future official guidance.

C. Budget and finance

16. The Board noted that in 2020, the total revenue significantly increased compared with 2019, with voluntary contributions increasing by almost 18 per cent and representing 98.7 per cent of the organization's total revenue. The Board further noted that the finances of UNHCR remained sound with high levels of liquid assets. However, it cautioned that the strong appearance of UNHCR's liquidity was significantly affected by the inclusion of \$1,045 million

in donor agreements made for future years. There were also constraints with regard to using resources, since the unrestricted funds represented only 11 per cent of 2020 contributions.

17. The Board noted that, in connection with the reform of the results-based management (RBM) approach, UNHCR proposed a replacement of the pillar structure with “impact areas”. The proposal was then acknowledged by the Executive Committee (ExCom) which endorsed a corresponding revision of the financial rules with effect from 1 January 2022, requesting the High Commissioner to ensure that the quality of the budgetary information is maintained. The Board reiterated the ExCom’s observation that the amendment of the budget structure and financial rules provide assurance that the proposed new impact areas fulfil the requirements of transparency and quality, in particular, in the financial reporting. The Board thus reiterated the ExCom decision asking UNHCR to continue to review the impact of the changes of its budgetary structure, analyse the benefits of such changes and provide assurance that the new budget structure meets the requirements of transparency and quality.

18. In response to this observation, UNHCR confirmed that it will continue to examine the amended budget structure over the coming budget cycles with the view to report to ExCom as required. The organization is already deriving lessons learned from the first preparation of a budget with the newly adopted budgeting tool, together with the new RBM framework.

19. The Board further noted areas for improvement with respect to the modality of analysing the expense variances across the country operations grouped under the seven regional bureaux. The Board was of the opinion that the granular analysis performed on multiple countries was of limited assistance for analysing UNHCR’s overall account balances, and recommended that UNHCR further enhance its review of results by performing variance analysis on the consolidated results, complemented by relevant benchmarks.

20. The Board also found that significant amounts from disbursements agreements with the United Nations Office for Project Services (UNOPS) were carried on as open items over periods of more than one year and refund claims were not pursued in a timely manner by the country operations. The Board therefore recommended that UNHCR explore ways to simplify the recording of UNOPS transactions in the design of the new ERP system so as to facilitate the timely reconciliation of open items and minimize the need to pay advances to UNOPS.

21. In response to the above observations, UNHCR will continue to enhance its overall expense variance analysis and will review and optimize, in the context of designing the new ERP system, the processes related to handling the affiliate workforce, including those contracted through UNOPS.

D. Cash assistance to beneficiaries

22. The Board reviewed the data quality checks that UNHCR country operations conducted prior to the transmission of cash payment lists to the financial service providers, and observed shortcomings in the documentation of these checks. The Board recommended to use unique identifiers in the payment lists and to improve the quality controls of the underlying data of persons of concern.

23. The Board identified the need for improvements in the end-to-end data management within UNHCR’s cash assistance management tool (CashAssist), mainly to overcome issues related to the lack of integrated processing of cash payment lists to the financial service provider. The Board recommended the development of a technical support solution to improve the connectivity of financial service providers with the CashAssist tool.

24. The Board also found shortcomings in the applicable guidance for the determination of the cash transfer values. For example, this guidance did not cover the organizational specifics, nor did it define the responsibilities for the transfer value determination in the country operations. The Board therefore recommended that UNHCR issue guidelines for a clearer calculation of cash transfer values, taking into account the operational context.

25. In response to the above recommendations, UNHCR will take action to develop guidance for operations on identity management, data verification and the calculation of cash transfer values. An additional feature in CashAssist will also be developed to generate notifications to alert users of the potential duplication of identifiers for individuals. The connectivity of the

financial service providers with CashAssist will be further improved through the development of a central connectivity platform providing an enhanced interface between UNHCR's internal systems and external financial service providers.

E. Implementing partnership management

26. The Board noted a lack of consolidated, comprehensive guidance on implementing partnership management processes, with related instructions spread across several documents. The Board held that a consolidated set of guidance material – which summarizes the existing regulations on partnership management across multiple years in one place – would make the processes more transparent and would simplify daily operations. The Board also found that the new RBM processes require a revision of the UNHCR personnel monitoring and reporting mechanisms. It therefore recommended that UNHCR provide enhanced guidance and training to staff on the mitigation of financial risks related to partner personnel.

27. UNHCR will address these recommendations through issuing a consolidated guidance material for the implementing partnership management processes by the end of 2022 and through the introduction of a new project reporting, oversight and monitoring system (PROMS) dedicated to the management of partnership agreements.

F. Human resources management

28. The Board reviewed UNHCR's efforts regarding workforce planning and identified some critical areas that the organization needs to strengthen in the future. To improve workforce planning, the Board recommended that UNHCR establish a workforce planning strategy laid down in a comprehensive workforce planning framework. In this respect, UNHCR is developing and testing a prototype for an end-to-end strategic workforce planning approach that will enable headquarters, regional bureaux and country offices to execute workforce planning cycles, and which will inform the larger workforce planning framework.

29. The Board also found shortcomings in the applicability of UNHCR's newly developed workforce planning dashboards for human resources planning, in terms of its functionality. It recommended that the organization further improve the use of enhanced data analytics and define key indicators, which allow benchmarking workforce among operations to assess whether operations are adequately staffed compared to other operations. UNHCR will address this recommendation through the roll-out of the upcoming new human resources system that will enable the development of more advanced human resources analyses.

30. The Board further identified that country operations did not conduct a robust analysis to evaluate the workforce supply and the future workforce demand. The Board considered it crucial that country operations conduct such analysis to understand the number of people needed to accomplish the work. It therefore recommended that UNHCR develop staffing review toolkits to support operations in reviewing their staffing needs. In response to this recommendation, UNHCR committed to developing a toolkit. This recommendation is also addressed by UNHCR through the recent dissemination of its handbook for designing field presence, as well as through the instructions for the overall programme planning for 2022, which include aspects of workforce planning and position management.

G. Global fleet management

31. In order to optimize the efficiency and operability in the use of its vehicles, UNHCR captures data related to its global fleet through the use of various tools and structured methods for data monitoring and analysis. To achieve the appropriate implementation of the measures derived from the data analysis, the data must be complete and of sufficient quality. For a significant number of fleet management data sets that were reviewed, the Board identified overall poor quality of the data or missing entries. Therefore, it was recommended that UNHCR improve the recording of data and optimize the tools for capturing data to avoid faulty data recording and to enhance its usability for management and operational decisions.

32. In response to these observations, UNHCR will continue its efforts to improve the quality of data recorded in the fleet management system (FleetWave) through proactive follow-up with operations identified to have entered data that deviates significantly from the standards. The regional bureaux will also be called upon to play a more active role in reviewing and monitoring the data quality. UNHCR will further pursue enhancement to the FleetWave system until an optimal level of usability is achieved.

H. Business transformation programme

33. The Board noted that UNHCR started to explore and introduce, under a business transformation programme (BTP), new ways of working with modern tools such as cloud technologies to support enabling processes. The BTP is part of the UNHCR transformation strategy and has a multi-year time horizon.

34. The Board noted the complexity of the programme in view of the best-of-breed solution chosen and the involvement of numerous external providers which require coordination. The Board held that UNHCR focus on the coordinated overview and monitoring of the programme budget for the upcoming planning and implementation phases of the programme.

35. The Board found that risks related to the BTP were not sufficiently considered in the operational and strategic risk registers. It held that the risks should be analysed, assessed and considered more deeply. The Board further requested that UNHCR carry out a comprehensive risk assessment of the entire BTP and include those risks in the strategic risk register.

36. UNHCR took note of these recommendations and completed the key recruitments to ensure that the BTP management office is well-resourced to provide effective oversight and budget monitoring. Regular meetings have been established between the programme management office and the project teams to ensure the effective coordination and communication on all aspects, including budgets and other project interdependences. Furthermore, UNHCR will include in the strategic risk register the risks identified at the programme level that are expressly related to the BTP.

III. Conclusion

37. UNHCR reiterates its commitment to addressing the recommendations made by the Board and to further improving procedures, systems and controls in order to mitigate the identified risks. The Board's findings and recommendations will help the organization prioritize its resources in those areas where it is most exposed to risk.

Annex

Key recommendations issued in 2020 or outstanding from prior years and the measures taken to address them

Recommendations (audit report year/paragraph number)	Measures to address the recommendations
<i>Key recommendations issued in the 2020 audit report</i>	
A. COVID-19 response	
<p>2020/62 - The Board recommends that UNHCR further improve the concerted support headquarters and regional bureaux provide country operations with respect to the needs-based procurement and distribution of inventory items, in particular during emergency situations such as the COVID-19 pandemic.</p> <p><i>(paragraph 62 of the 2020 audit report)</i></p>	<p>UNHCR’s headquarters and regional bureaux will continue to improve the support extended to country operations. UNHCR has made available a global supply demand forecasting tool to support the forecasting of procurement and distribution requirements. Furthermore, it is preparing a comprehensive operational guidance package on the end-to-end management of non-food items (NFIs). This guidance will clarify the roles and responsibilities of each office within the organization with respect to establishing needs-based procurement plans, distribution plans and possibilities to be considered for the consolidation and management of NFI-related procurement. The guidance will also include templates and forms for the distribution of NFIs and the reconciliation of stock. Furthermore, UNHCR will explore the opportunities offered by the upcoming new ERP system to improve inventory tracking and accountability during the design phase.</p>
B. Decentralization and regionalization	
<p>2020/73 - The Board recommends that UNHCR prioritize and align the redefinition of roles and responsibilities at the regional bureaux and at headquarters’ entities and ensure that the roles of the redefined structures are reflected in the regulatory framework as applicable.</p> <p><i>(paragraph 73 of the 2020 audit report)</i></p>	<p>The revision of the roles, accountabilities and authorities (RAA) originally issued in October 2019, and informed by the updated “three-line” model, will address the issue of the clarity of roles and responsibilities. Revision of the roles of country operations, regional bureaux and headquarters divisions has been largely completed and will inform the revision of the accountabilities and authorities. When applicable, specific information on roles will be included in the future official guidance as required, in a manner that does not fragment the overall concept of RAAs.</p>
C. Budget and finance	
<p>2020/88 - The Board recommends that UNHCR continue to review on the impact of the changes to its budgetary structure on management efficiencies, analyse the benefits of the changes proposed, communicate the result of the analysis and provide assurance that the proposed budget structure meets the requirements of transparency and quality.</p> <p><i>(paragraph 88 of the 2020 audit report)</i></p>	<p>UNHCR will continue to examine its amended budget structure over the coming budget cycles, with a view to report to ExCom as required by the relevant decision in the “Report of the seventy-first session of the Executive Committee of the High Commissioner’s Programme” (A/AC.96/1209). Under chapter III, section B, “Decision on a revision of the financial rules for voluntary funds administered by the High Commissioner for Refugees”, paragraph 13 states inter alia that “the Executive Committee ...endorses a review on the impact of these changes to budgetary structure and periods on management efficiencies and UNHCR’s ability to deliver on its</p>

	<p>mandate, with a view to any revisions if needed, to be presented to the Executive Committee no later than 2025, with preliminary reviews as needed”.</p> <p>It is to be noted that a mock of the 2022 programme budget document, including tables by the new results areas, was previewed to member States. The presentation highlighted that i) the traditional presentations by cost type and by headquarters, the field and global programmes would be preserved; ii) a new presentation by population group would preserve the pillar focus by type of population assisted; and iii) new tables by impact areas, outcome and enabling areas, and by United Nations sustainable development goals would significantly broaden the scope of programme budget presentation. In terms of analysing the benefits proposed, UNHCR is already deriving lessons learned from the first preparation of a budget with the new budgeting tool adopted by UNHCR and the new RBM framework.</p>
<p>2020/106 - The Board recommends that UNHCR perform an organizational variance analysis for both, the statement of financial performance and financial position, complemented by inputs from the regional bureaux and relevant benchmarks for identified significant variances where applicable.</p> <p><i>(paragraph 106 of the 2020 audit report)</i></p>	<p>UNHCR will perform the required variance analysis and seek input from the regional bureaux as applicable.</p>
<p>2020/154 - The Board recommends that UNHCR design its new enterprise resource planning and finance and supply chain management systems to simplify the recording of UNOPS transactions, to facilitate timely open item reconciliations and to minimize the need for significant pre-financing of UNOPS agreements.</p> <p><i>(paragraph 154 of the 2020 audit report)</i></p>	<p>The processes related to affiliate workforce administration, including those executed through UNOPS agreements, will be reviewed and optimized in the context of the implementation of the new ERP system. UNHCR is currently in discussion with UNOPS with respect to their global agreement. The full implementation of this recommendation is also dependent on the joint conclusions achieved with UNOPS to reach the most optimal approach towards the expected level of pre-financing through advance payments, understanding that UNOPS Financial Rule 105.01(c) prescribes that it shall not engage in commitments under a project agreement prior to the receipt of project funds.</p>
<p><i>D. Cash assistance to beneficiaries</i></p>	
<p>2020/193 - The Board recommends that UNHCR use unique identifiers in the payment lists and improve the quality control of the underlying data of persons of concern to enhance the clarity of the payment list and to avoid duplications.</p> <p><i>(paragraph 193 of the 2020 audit report)</i></p>	<p>To improve the internal quality control process over the data obtained from external host governments and other partner registration databases, UNHCR will develop an identity management guidance for operations and an additional feature in CashAssist to generate notifications to specific users or teams, alerting them of potential duplications detected by the system, noting that the UNHCR registration database (proGres) already uses unique identifiers for individuals. UNHCR will also update the training package on CashAssist and will include further guidance on data verification.</p>

<p>2020/205 - The Board recommends that UNHCR develop a technical support solution to improve the connectivity of financial service providers with CashAssist and to ensure that significant systematic errors in the application programming interface with CashAssist can be detected earlier and fixed more smoothly.</p> <p><i>(paragraph 205 of the 2020 audit report)</i></p>	<p>Connectivity of the financial service providers with UNHCR's CashAssist system for managing cash-based interventions will be improved through the implementation of the digital connectivity hub for banking platform. UNHCR is currently developing the proof-of-concept for this connectivity platform and plans to start piloting its implementation before 2021 year-end. The Connectivity Hub is a project where UNHCR will develop a central connectivity platform interfacing from the internal UNHCR financial ecosystem through a UNHCR integration platform to accessing the external financial service providers. Upon approval of the proof-of-concept, the full implementation of the connectivity hub will be aligned with the implementation of the new ERP system.</p>
<p>2020/212 - The Board recommends that UNHCR issue guidelines for the calculation of cash transfer values that give operations flexibility to define the best approach for calculating the transfer value based on their operational context and under involvement of the regional bureau.</p> <p><i>(paragraph 212 of the 2020 audit report)</i></p>	<p>UNHCR will draft guidance for the calculation of cash transfer values that would better address its organizational specifics and will clarify the responsibilities for the determination of cash transfer values, while allowing operations to maintain flexibility based on their unique operational context.</p>
<p><i>E. Implementing partnership management</i></p>	
<p>2020/231 - The Board recommends that UNHCR consolidate and complement the guidance material for the implementing partnership management processes in one comprehensive repository which should also include the regulations in response to previous audit recommendations.</p> <p><i>(paragraph 231 of the 2020 audit report)</i></p> <p>2020/238 - The Board recommends that UNHCR assign clear approval responsibility at the regional bureaux for granting extensions of implementation/liquidation periods of implementing partnership agreements in the upcoming comprehensive guidance material for the implementing partnership management.</p> <p><i>(paragraph 238 of the 2020 audit report)</i></p>	<p>The Division of Strategic Planning and Results (DSPR) plans to issue a consolidated guidance material for the implementing partnership management processes by the end of 2022. DSPR will include provisions indicating a clear responsibility of the regional bureaux to approve extensions of the implementation or liquidation periods of implementing partnership agreements. Such provisions will be included in the administrative instruction for 2021 year-end accounts closure. Subsequently, these instructions will be reflected in the consolidated guidance material for the implementing partnership management, mentioned above in response to the recommendation in paragraph 231 of the 2020 audit report.</p>
<p>2020/248 - The Board recommends that UNHCR provide further instructions and training to programme and project control staff on the mitigation of partner-personnel related financial risks in the upcoming comprehensive guidance material.</p> <p><i>(paragraph 248 of the 2020 audit report)</i></p>	<p>DSPR will address this recommendation through the issuance of the comprehensive guidance material on managing implementing partnerships (mentioned in response to the recommendation in paragraph 238 of the 2020 audit report), as well as through the introduction of a new project reporting, oversight and monitoring system (PROMS) for the management of partnership agreements. UNHCR will also work to update training materials accordingly.</p>

<i>F. Human resources management</i>	
<p>2020/279 - The Board recommends that UNHCR further improve the use of enhanced data analytics for additional dashboard reports and data analytics that would facilitate human resources planning analysis. Therefore, UNHCR should define key indicators. This would allow benchmarking workforce among operations and would enhance knowledge on whether the different functional groups of an operation are adequately staffed compared to other operations.</p> <p><i>(paragraph 279 of the 2020 audit report)</i></p>	<p>With the roll-out of the new human resources system, it will be possible to develop advanced analytics to carry out comprehensive human resources analyses. The analytics requirements for workforce planning will be developed throughout the implementation timeline, including training the appropriate staff on how to produce these in the new system. To define key indicators, UNHCR will source benchmarks relevant to international humanitarian organizations. It is envisaged to make available the analytics in 18 months following the deployment of the new system.</p>
<p>2020/288 - The Board recommends that that UNHCR establish a workforce planning strategy laid down in a comprehensive workforce planning framework to improve workforce planning as a matter of priority.</p> <p><i>(paragraph 288 of the 2020 audit report)</i></p>	<p>The Division of Human Resources has developed in 2021 an end-to-end strategic workforce planning approach prototype that will enable headquarters, the regional bureaux and country offices to execute the strategic workforce planning cycle. This prototype, to be piloted during the period 2021-2022 and adjusted in 2023, will inform and constitute an important element of the larger workforce planning framework.</p>
<p>2020/296 - The Board recommends that UNHCR develop staffing review toolkits to support operations in reviewing their staffing needs. UNHCR should require its operations to conduct supply and demand analysis in order to understand how many people are needed to accomplish the work required based on a reliable data management system.</p> <p><i>(paragraph 296 of the 2020 audit report)</i></p>	<p>The development and release of a staffing review toolkit will be completed by the second quarter of 2022. Other guidance and instructions recently disseminated, that are relevant in supporting the field operations to review their staffing needs as part of the annual and multi-year planning, include the UNHCR handbook for designing field presences and the administrative instruction for planning for 2022, which includes an annex on workforce planning and position management.</p>
<i>G. Global fleet management</i>	
<p>2020/311 - The Board recommends that UNHCR take measures to ensure operations perform regular verifications of FleetWave data with regard to the quantity and quality of data entries. The reasons for deviations must be identified and erroneous data must be corrected. This should also apply to data recording in the vehicle logbooks before this process is superseded by an electronic solution.</p> <p><i>(paragraph 311 of the 2020 audit report)</i></p>	<p>UNHCR has put in place various measures to ensure the quality of data recorded in FleetWave. For example, as of January 2021, the Division of Financial and Administrative Management (DFAM) provides monthly updates on FleetWave data entries to all operations via the regional bureaux, and requests the cooperation of these parties to review and signal any anomalies. At the same time, DFAM proactively follows up with individual operations on data entries deviating from the set standards, in order to obtain clarification and to ensure that corrections are made as appropriate.</p>
<p>2020/312 - The Board recommends that UNHCR together with the FleetWave provider optimize the FleetWave tool to avoid faulty data recording and enhance usability.</p> <p><i>(paragraph 312 of the 2020 audit report)</i></p>	<p>UNHCR together with the FleetWave service provider have been making considerable changes and enhancements in the tool since 2019 and will continue to do so until an optimal level of usability is achieved.</p>

H. Business transformation programme	
<p>2020/334 - The Board recommends that UNHCR focus on the coordinated oversight and monitoring of the programme budget and cost controlling during the upcoming planning and implementation phases of the business transformation programme.</p> <p><i>(paragraph 334 of the 2020 audit report)</i></p>	<p>Key recruitments have recently been completed, with others ongoing, to ensure that the BTP management office is well resourced to provide effective oversight, budget monitoring and cost control for the programme. These resources include the Programme Director, Programme Manager, Project Control Officers, a Communications Officer and a Reporting Officer. In addition, regular meetings have been established between the programme management office and the project teams to ensure effective coordination and communication on cost and budget, as well as other important aspects such as project interdependencies.</p>
<p>2020/350 - The Board recommends that UNHCR carry out a comprehensive risk assessment for the entire business transformation programme. The risk assessment should consider both financial and technical risks.</p> <p><i>(paragraph 350 of the 2020 audit report)</i></p> <p>2020/351 - The Board recommends that UNHCR include risks to the business transformation programme expressly in the strategic risk register.</p> <p><i>(paragraph 351 of the 2020 audit report)</i></p>	<p>The BTP management office is coordinating a consultation process with key groups of stakeholders including the Programme Executive Committee members, business owners, business coordinators, project managers and others to assess and discuss programme-related risks, and to ensure that they are managed and mitigated effectively.</p> <p>Discussions have been held with the enterprise risk management team on this topic, and the risks identified at the programme level that are expressly related to the BTP will be included in UNHCR's strategic risk register.</p>
<i>Key recommendations outstanding from the 2019 audit report</i>	
A. Finance-related findings	
<p>2019/88 - The Board recommends that UNHCR explore the option of an electronic, system-integrated delegation of authority process. The process should encompass all enterprise resource planning modules and ensure an overarching conflict check across the entire enterprise resource planning architecture.</p> <p><i>(paragraph 88 of the 2019 audit report)</i></p>	<p>The implementation of this recommendation will be addressed through incorporating the necessary functionality in the design of the new ERP system. UNHCR has already commenced discussions on its design and is confident that, based on the initial review of the access control and delegation of authority automated processes, the future system will allow for significant improvements in this area. UNHCR confirms that this critical area remains part of the design scope.</p>
B. Reform initiatives	
<p>2019/126 - The Board recommends that UNHCR make the distinction between first and second lines of defence clearer in the framework of roles, accountabilities and authorities.</p> <p><i>(paragraph 126 of the 2019 audit report)</i></p> <p>2019/135 - The Board recommends that UNHCR distinguish clearly the roles and responsibilities between the regional bureaux and the divisions, as the second line of defence.</p> <p><i>(paragraph 135 of the 2019 audit report)</i></p>	<p>The Institute of Internal Auditors (IIA) issued in July 2020 an important update to the "three lines of defence" model. The risk-focused model of IIA has been enriched with guiding principles and shifted away from the focus on the concept of "defence" only. Considering this new perspective introduced by IIA, UNHCR started to develop in the last part of 2020 a concept paper to apply the new "three lines" model of IIA and to revise and update the roles, accountabilities and authorities accordingly across the various levels of the organization. The finalization of this concept paper is planned to be completed by the end of 2021, allowing considerations arising from 2022 planning process to be accommodated.</p>

<p>2019/141 - The Board recommends that UNHCR define the roles and responsibilities of new functions in the regional bureaux in a clear and transparent manner.</p> <p><i>(paragraph 141 of the 2019 audit report)</i></p>	<p>A number of job descriptions related to the new functions within the regional bureaux have been issued or updated, reflecting the specific duties. The actions described in UNHCR's response to the recommendation in paragraph 126 of the 2019 audit report will further address this recommendation.</p>
<p>2019/168 - The Board recommends that UNHCR measure, track and evaluate the intended results and the costs of decentralization and regionalization.</p> <p><i>(paragraph 168 of the 2019 audit report)</i></p>	<p>UNHCR has put in place a cost tracking model that enables the measuring and tracking of resource allocation and expenditure related to decentralization and regionalization. A set of key performance indicators has been validated and automated, enabling the required monitoring. With regard to the recommendation to evaluate the results, UNHCR plans to do so in 2023 when the decentralized and regionalized approach has been in effect for a longer period of time, and would thus reflect a more meaningful evaluation. As an interim stock-taking action, a management advisory from the United Nations Office of Internal Oversight Services has been commissioned, which is expected to be issued in the third quarter of 2021.</p>
<p>C. Implementing partnership management</p>	
<p>2019/231 - The Board recommends that UNHCR analyse the weaknesses in the selection/definition of impact indicators, outputs and performance indicators, and explore options for better supporting country operations in preparing partnership agreements.</p> <p><i>(paragraph 231 of the 2019 audit report)</i></p>	<p>The weaknesses in the definition of impact indicators are addressed across the organization through the adoption of a revised RBM system. UNHCR country offices are being trained to enhance the management of partnership agreements in the context of rolling out the new RBM system (COMPASS). UNHCR continues to support operations through the roll-out of the "Get results" phase in COMPASS, scheduled to take place during third and fourth quarter of 2021, including through providing guidance and workshop training on the updated impact and performance indicators. Once the workshops are completed, UNHCR considers that this recommendation would be addressed.</p>
<p>D. Global fleet management</p>	
<p>2019/257 - The Board recommends that UNHCR simplify the budget process for global fleet management and comply with the instructions and central global fleet element according to which rental- and sales-generated revenues should be made available to the self-sustained global fleet management fund. Until this budget process has been simplified, the unallocated income from the global fleet should be explicitly and transparently identified and traced for monitoring purposes and then allocated to the global fleet budget as deemed appropriate.</p> <p><i>(paragraph 257 of the 2019 audit report)</i></p>	<p>DFAM is in the process of establishing a separate fund for self-financing activities, of which global fleet management (GFM) activities will be part of. Under the new structure of the self-financing activities fund, GFM-related budget and transactions will be traced and reported separately to enable the clear measurement of performance and to implement a simplified process of resource allocation. The establishment of this new fund will also facilitate further planning and budget allocations to GFM activities, including the allocation of the rental- and sales-generated revenues mentioned in this recommendation.</p>
<p>2019/266 - The Board recommends that UNHCR take measures to establish a meaningful overall procurement plan for light vehicles based on the operations' needs assessment and disposal plan.</p> <p><i>(paragraph 266 of the 2019 audit report)</i></p>	<p>The vehicle procurement plan will be based on the 2021 fleet plan and on GFM's financial model. The fleet plan for 2021 and beyond will include data such as the current fleet size, planned disposal, utilization, vehicle orders and the planned fleet size and utilization targets for the year. DFAM has already</p>

	disseminated to operations the requirements for fleet planning for the 2021-2022 cycle, informing on the different steps to be implemented in the second half of 2021 with regard to fleet sizing and fleet planning for 2022.
<i>E. UNOPS assignment and expenditures procedures</i>	
2019/297 - The Board recommends that UNHCR establish compliance controls to ensure that its staff insert reliable data in MSRP for reporting and monitoring. <i>(paragraph 297 of the 2019 audit report)</i>	UNHCR has updated the disbursement agreement for UNOPS and has issued a comprehensive administrative instruction on the affiliate workforce. With this, it is expected that compliance with procedures of entering data in MSRP will be improved. In the medium term, the architecture and development of the new ERP system replacing the current MSRP system will allow for the implementation of more optimal modalities of handling affiliate workforce data that will enable better reporting and monitoring.
2019/302 - The Board recommends that UNHCR take measures to ensure regular monitoring and follow-up of the budget committed for UNOPS; in particular UNHCR should review the amount of the committed budget during the year and release the remaining reserved balances once the UNOPS invoices have been settled. <i>(paragraph 302 of the 2019 audit report)</i>	The new UNOPS disbursement agreement template valid from 2021 introduced a mandatory requirement to dispatch to UNOPS the related purchase order and to include the purchase order reference number in the disbursement agreement itself, as well as on all related UNOPS invoices. The centralized year-end process for reviewing UNOPS arrangements in the business intelligence platform has been enhanced so that unused or unneeded remaining purchase orders balances are highlighted and can be released on a timely basis.
<i>F. Deployment of a new registration case management system and data protection</i>	
2019/343 - The Board recommends that the representatives of country operations each confirm to the regional bureaux and headquarters with their signatures the decommissioning of proGres v3. <i>(paragraph 343 of the 2019 audit report)</i>	The UNHCR Global Data Service decided to develop an administrative instruction which will be more inclusive of other policy and procedural aspects related to the population registration and identity management ecosystem (PRIMES). The guidance initially offered to operations in 2020 with regard to the decommissioning of proGres v3 (which had addressed recommendation 342 of the 2019 audit report) will become a discrete component of this new instruction and will refer to the modalities by which the regional bureaux and headquarters will need to confirm the decommissioning. While this instruction is scheduled to be issued in the fourth quarter of 2021, the operations have already begun to electronically confirm that proGres v3 instances have been decommissioned after successful upload to the data preservation platform (a long-term off-site digital platform to serve as the repository for data that should be retained indefinitely).
2019/353 - The Board recommends that the UNHCR data protection policy require the designation of data controllers at the global and regional levels. <i>(paragraph 353 of the 2019 audit report)</i>	UNHCR will ensure that its global data protection policy will clearly indicate accountability for data at the local, regional and headquarters levels. The policy is in an advanced draft stage and is expected to be finalized before 2021 year-end.

<p>2019/360 - The Board recommends that UNHCR carry out a data protection impact assessment at an early stage to ensure that the results can be taken into account when planning and designing new ICT systems and enhancing major features of prevailing ICT systems and systems interoperability for the processing of personal data.</p> <p><i>(paragraph 360 of the 2019 audit report)</i></p>	<p>In order to be able to conduct data protection impact assessments (DPIA) more efficiently, UNHCR has initiated the process of outsourcing components of DPIAs to a competitively selected partner. This should be contracted in the second half of 2021. UNHCR foresees that through outsourced capacity for DPIAs, it can ensure that DPIAs are completed consistently and in a timely manner for new information and communications technology systems that impact the personal data of persons of concern.</p>
<p><i>Key recommendations outstanding from the 2018 audit report</i></p>	
<p>A. Finance-related findings</p>	
<p>2018/50 - The Board recommends that UNHCR establish a consistent accounting process and guidance for items that are procured for direct transfer of ownership to other entities, especially for cases that do not refer to the implementation of a specific programme. UNHCR should flag these items in the MSRP system and disclose expenses resulting from such transfers separately in the notes to the financial statements.</p> <p><i>(paragraph 50 of the 2018 audit report)</i></p>	<p>For new requisitions issued from January 2021, the MSRP system has been enhanced to allow for tracking of the property, plant and equipment, serially tracked items, inventory and consumable items that were procured for further transfer of ownership. However, UNHCR does not see a need to disclose the expense associated with these transfers separately in the financial statements.</p>
<p>B. Reform initiatives</p>	
<p>2018/64 - The Board recommends that UNHCR ensure well-coordinated accountabilities, authorities and reporting lines for managers in the newly created regional and headquarters structures. The reporting lines, accountabilities and authorities should be integrated into the current structures of UNHCR and provide for the necessary coordination and monitoring at headquarters.</p> <p><i>(paragraph 64 of the 2018 audit report)</i></p>	<p>This is to be read in conjunction with the actions mentioned in response to recommendations 126, 135 and 141 of the 2019 audit report, which will also address this recommendation.</p>
<p>C. Information technology/cybersecurity and data protection</p>	
<p>2018/343 - The Board recommends that UNHCR establish mandatory organization-wide minimum information security standards in an ICT governance framework as soon as possible.</p> <p><i>(paragraph 343 of the 2018 audit report)</i></p>	<p>UNHCR is working on issuing an information security policy which will include requirements on the minimum information security standards. It is expected that this policy will be issued during the third quarter of 2021.</p>
<p>2018/365 - The Board recommends that UNHCR strengthen the position of the Chief Information Security Officer and increase interaction with top management. To secure the position of the Officer, the Board recommends that UNHCR redefine and describe the role and tasks of the Chief Information Security Officer in an overarching information security mandatory guideline that defines mandatory requirements, controls and responsibilities of all stakeholders. The mandatory guideline should also grant the Chief Information Security Officer a reporting line to a consultative and reporting body that includes membership by top management.</p> <p><i>(paragraph 365 of the 2018 audit report)</i></p>	<p>UNHCR has appointed a Chief Information Security Officer (CISO) within the Division of Information Systems and Telecommunications, reporting to the Chief Information Officer. The role and tasks of the CISO will be described in the new information security policy. The CISO will provide information security reports to senior leadership on a regular basis and will update the Senior Management Committee semi-annually.</p>

<i>Key recommendations outstanding from the 2017 audit report</i>	
A. Supply chain management	
<p>2017/213 - The Board recommends that UNHCR assess how a more efficient management of core relief items in stock, which includes supplies of country operations, could be put in place. This assessment should address the question as to whether UNHCR might be seen as one organization with regard to “ownership” of its inventories.</p> <p>(paragraph 213 of the 2017 audit report)</p>	<p>UNHCR recognizes that potential benefits can be achieved by managing its stock of NFIs at the corporate level. An operational guidance on the end-to-end management of NFIs is in its final drafting phase and will help in achieving their systematic management throughout the programme cycle, and in detailing the roles and responsibilities related to carrying out NFI distribution. Furthermore, within the context of the new ERP implementation and driven by the need to reduce green-house gas emissions, UNHCR will develop a concept note assessing how to organize more efficiently the procurement planning and management of inventory goods by the end of 2021.</p>

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