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Programme budgets, management, financial control
and administrative oversight

Financial statements for the year 2015 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 2015
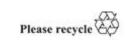
Report by the High Commissioner

Addendum

Key issues and measures taken in response to the Report of the Board of Auditors for 2015

Contents

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 2015,[1] as well as measures taken or proposed by the Office in response to the main and other recommendations.

2.   UNHCR prepared the financial statements for the year ended 31 December 2015 in accordance with the International Public Sector Accounting Standards (IPSAS). Following its examination, the Board concluded that the financial statements fairly presented, in all material aspects, UNHCR's financial position and its financial performance and cash flows for the year ended 31 December 2015, in accordance with IPSAS. During the course of the audit, the Board visited UNHCR Headquarters in Geneva and Budapest, examined field operations in Jordan and Sudan, and conducted teleconferences and surveys with 10 other field locations. The audit was conducted to enable the Board to form an opinion on UNHCR's financial statements and included a review of financial systems and internal controls, as well as a test examination of the accounting records.

3.   As part of its mandate, the Board also reviewed UNHCR's operations and made observations on the efficiency of its financial procedures, accounting system, financial internal controls and, in general, the administration and management of its operations.

4.   The Board reported key findings and issued 22 new recommendations in the following areas: (a) financial and governance matters; (b) enterprise risk management; (c) population data accuracy; (d) prioritization of resources; (e) driving efficiencies; and (f) durable solutions. This document lists these recommendations and outlines how UNHCR plans to address the identified risks.

5.   Out of the 34 outstanding recommendations issued for 2014 and previous years, 6 (18 per cent) had been implemented, 3 (9 per cent) had been superseded by events and 25 (73 per cent) were in the process of implementation. The Board noted positive progress in respect of the 25 recommendations under implementation, particularly those relating to fraud prevention measures and the development of the strategic risk register. The Board also noted actions completed so far on two recommendations issued in 2012 and 2010 relating to UNHCR's global fleet management and to project-tracking, where progress was continuing and the recommendations expected to be fully implemented by the end of 2016.

6.   A matrix containing additional information on the status of implementation and follow-up actions for outstanding recommendations made by the Board in previous years is available on UNHCR's website at www.unhcr.org/excom, under Standing Committee documentation.

II. Key findings relating to the 2015 financial statements

A. Financial and governance matters

1. Financial overview

7.   The Board confirmed that UNHCR remained in a strong financial position, with sufficient assets to meet liabilities, despite the continuance of existing emergencies and five new emergencies during the reporting period. The Board noted that the overall key

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1 See A/71/5/Add.6.

financial indicators remained robust, with surplus recorded for the year due to an increase in contributions received toward the end of 2015, driven by donor commitment to funding the refugee and migrant crisis in Europe.

8.   The Board noted that, while UNHCR continued to enjoy good levels of support from its donors, the organization was still facing constraints in the use of these resources, as high levels of contributions were earmarked by donors for specific purposes. This created additional pressure on management to identify resources that could be deployed flexibly across all areas of activity. The Board also noted that, although UNHCR achieved the highest level of donor pledges as a result of its fundraising activities, there was an unpredictable pattern of contributions and pledges received each year, with significant contributions received towards the end of the financial year. The Board, therefore, highlighted the risk of suboptimal decision-making as a result of unpredictable inflows of contributions and how this could potentially compromise the value for money objective.

2.   Financial management in country offices

9.   The Board noted that improved financial monitoring processes at the country office level could assist in a more efficient redeployment of resources. The Board recommended strengthening the coordination between country office finance and programme teams, and making better use of financial reporting tools and analysis to identify opportunities for maximizing resource allocation.

3.   Cash-based assistance

10.   The Board noted that UNHCR's use of cash-based assistance in 2015 continued to grow. During its visit to Jordan, the Board found that the use of iris scanning technology at the point of registration had enabled UNHCR to improve the speed and security of its cash-based interventions, helping counter risks of cash grants being obtained by anyone other than the intended beneficiaries. The Board also examined the rollout of other cash assistance programmes in the form of payment cards in Sudan and noted in general that there was no formal cost-benefit analysis of the use of cash and related technologies. While there were clear benefits, the Board considered that the absence of a formal cost-benefit analysis made it difficult to assess the cost effectiveness of these cash assistance programmes. The Board stressed that such analysis was important as the resources dedicated to these programmes continued to grow and reiterated its earlier recommendation to evaluate the impact of such programmes.

4.   Asset management

11.   The Board found that UNHCR had well-developed processes in place to keep inventory under review and its visit to UNHCR warehouses confirmed this finding. With respect to UNHCR's global fleet management (GFM) project, launched in 2013 to improve the safety and cost-effectiveness of light vehicles used in UNHCR operations, the Board noted some weaknesses in the practical aspects of vehicle deployment and in communicating the purpose and benefits of GFM to country offices. While there appeared to be initial benefits of the project, the Board noted that it was not yet apparent how GFM delivered value for money and recommended that an evaluation be conducted in this respect.

5.   Internal control

12.   The Board observed that good processes were in place for monitoring spending and supporting an efficient and timely annual accounts process. The Board's audit did not highlight any significant weaknesses in the financial controls examined during 2015. The Board noted the observations of the United Nations Office of Internal Oversight Services (OIOS) in respect of the urgent need to strengthen oversight of partners' procurement processes, including improved local oversight and consideration of the cost benefit analysis

of allowing partners to undertake their own procurement The Board identified scope for improvement in the processes for internal verification of partners at the country office level and in the analysis prepared in support of the reselection of partners.

6.   **Managing systems, resources and people (MSRP) – upgrade project**

13.   The Board advised that the MSRP upgrade was central in providing management with more reliable and timely information for decision-making, and providing information on where resources could be deployed in the most effective and efficient manner. It was noted that UNHCR continued to make progress in the implementation of the MSRP upgrade and that the project remained on track. The Board acknowledged that the project had oversight by the key stakeholders, but that the quality of formal documentation on approvals by the various oversight committees was variable. It recommended that, as the project moved forward, any significant changes to project, budget or risk profiles be formally documented and approved by the relevant committee. The Board further encouraged UNHCR to present a benefits realization plan to senior management at regular intervals.

B.   Enterprise risk management

14.   The Board reviewed UNHCR's evolution of enterprise risk management, which it considered essential for the effective management of a complex operation facing multiple operational challenges and constraints. The Board noted that progress had been made towards systematic risk management in 2015. UNHCR had completed a structured assessment of all country office and headquarters entity risks and had compiled the results of this exercise into a corporate risk register. In addition, UNHCR had developed a strategic risk register and identified the top 20 risks. However, the Board considered that a closer alignment between these two registers would provide greater assurance over the completeness and integration of the risk processes within UNHCR and support decision-making at the senior level.

15.   From its visits to two country offices and a survey of an additional five large operations, the Board found that the quality and utilization of risk registers and risk management were, in general, variable, and concluded that there was scope to further embed risk management in the business and decision-making processes of UNHCR in order to realize the full benefits. The Board deemed that more could be done to review the quality and robustness of the mitigation measures identified at the country office level and that this could be further achieved through the involvement of and review by the regional bureaux and other headquarters entities to support resource prioritization and risk-based monitoring.

C.   Population data accuracy

16.   Recognizing the importance of having accurate population statistics to allocate resources in the most optimal way, the Board examined the use of data in the resource planning process as well as the verification process carried out within UNHCR to validate population data.

17.   The Board recognized the challenges faced by UNHCR in estimating the planning population figures, which can evolve significantly during the planning and implementation cycles.

18.   The Board noted that UNHCR used verification exercises to review the estimated figures and provided guidance to country operations on how to carry out verification activities. However, it expressed concern that UNHCR did not carry out systematic

reconciliation exercises to review the initial planning estimates against the actual figures during the year. The Board highlighted the risks in having inaccurate population data, whether overestimates or underestimates, on the allocation of resources.

19.   The Board also reviewed the biometric system introduced by UNHCR to support registration and improve the accuracy of its identification and registration processes. While noting that this system had the potential to assist in improving the accuracy of population data, the Board did not find evidence of a formal benefits plan prepared by UNHCR to quantify its impact.

D.   Prioritization of resources

20.   The Board noted that UNHCR was faced with many competing demands, combined with increasing levels of earmarking, making it difficult to provide resources for its goals equitably or strategically. It was, therefore, critical that the resource prioritization process take place in a systematic manner, yet adapted to the specifics of the operations.

21.   The Board examined a sample of country operations and headquarters activities to review the resource prioritization process, through which annual plans describing resource requirements are prepared in the field and submitted to headquarters for review. The Board found that the plans included a high level of detail and complexity in the description of outcomes and results, and that a considerable amount of time and resources were devoted to the process. However, the impact of this activity on the ground was not clear and often the changes in the budgets allocated were minimal. The Board concluded that there were opportunities for UNHCR to refine and simplify the country operations plans, including by allowing headquarters scrutiny of objectives, outputs and indicators when the plans are produced rather than at a later stage.

22.   In the report, it was noted that UNHCR reported a 49 per cent shortfall between the resources required to meet the needs and the funds available to cover the needs. The Board reviewed the needs-assessed budget from two country plans and found that more could be done to scrutinize how they were compiled to support resource allocation decisions. The Board recommended better monitoring to ensure that budgets reflect the needs and that they remain credible throughout the implementation period.

E.   Driving efficiencies

23.   The Board examined the progress UNHCR had made in identifying cost savings and driving efficiencies in its operations. It identified a number of actions taken by UNHCR to restructure and downsize its operations but noted that, while country operations were able to describe various ways of obtaining efficiency savings, the impact of these savings was not routinely measured.

24.   The Board analysed data from 2012 to 2015 and noted that programme support costs increased by 23 per cent between 2014 and 2015, while programme expenditure decreased by 5 per cent in the same period. The Board considered that UNHCR could do more to deliver efficiency by supporting operations in sharing their experiences in successfully reducing programme support costs and per capita costs. It recommended that greater scrutiny be applied to the drivers of cost to determine whether the programmes in question can be delivered more efficiently, and also that UNHCR be more rigorous in its partner negotiations.

F. Durable solutions

25. The Board examined a number of initiatives that UNHCR had put in place to implement durable solutions, noting that progress in this respect had been limited, partly due to factors of a structural and political nature. The Board found that the budget dedicated to durable solutions had declined and UNHCR had not monitored its progress in delivering successful solutions. The Board considered that UNHCR would have to make decisions on how best to increase funding and create greater focus on durable solutions, including an exit strategy, including from the beginning of a situation. Furthermore, the Board recommended the development of performance measures to assess the added-value impact of activities to deliver durable solutions. In doing so, the Board encouraged UNHCR to work effectively with development partners and host governments.

III. Main recommendations and measures taken

26. This section contains the main recommendations made by the Board and the measures taken by UNHCR in response. The recommendations of the Board are set out in italics, with reference to the relevant paragraph of the Report of the Board of Auditors.

A. Recommendation (paragraph 14)

27. *The Board recommends that UNHCR develop a set of processes, tools and reports that can be applied at the field level to enhance the financial management of programme budgets and expenditure. This should include stronger links between finance and programme staff in the field through joint analysis and review processes.*

Measures taken by the Administration

28. Recognizing the complementarity of finance and programme functions, UNHCR will review its current procedures to further strengthen the inclusion of finance staff within multi-functional teams at the field level and during key stages of the programme cycle, when their expertise can support the provision of sound financial advice. Improving support to both programme and finance staff in the field and enhancing the financial management of programmes will be a key area of work for both the Division of Programme Support and Management and the Division of Financial and Administrative Management in the coming year.

B. Recommendation (paragraph 24)

29. *The Board recommends that UNHCR ensure that the global fleet management strategy is communicated consistently across country and regional offices, and that checks are carried out to ensure that its application across all offices represents best value.*

Measures taken by the Administration

30. While the strategy of the global fleet management project has been widely communicated throughout the organization, briefing sessions will be organized, in cooperation with the Regional Bureaux, for the eight largest operations (representing more than fifty per cent of UNHCR's vehicle fleet). The benefits derived by both the organization as a whole and the specific operation from the application of the global fleet management strategy will be emphasized. Additionally, UNHCR will continue to conduct annual evaluations of global fleet management through an external service provider and communicate to key stakeholders how the value for money objective can be best captured as part of this evaluation.

C.   Recommendation (paragraph 55)

31.   *The Board recommends that risk registers be reviewed on at least a quarterly basis as a standing item at senior management meetings. Country office representatives should take a cyclical approach to scrutinizing risks and their mitigations to ensure that the risk process is fully embedded in their local business processes and utilized in the development of country office plans.*

Measures taken by the Administration

32.   UNHCR has scheduled a review of its enterprise risk management policy and implementation procedures, which will take place in the first half of 2017. This recommendation will be addressed as part of this review, alongside other measures that would need to be reflected in the revised policy and procedures. Any future changes will continue to address context-specific risk management modalities, with specific follow-up, to increase the opportunities for impact on local processes.

33.   Since the second quarter of 2016, the Internal Audit Division of the United Nations Office of Internal Oversight Services (OIOS) has been systematically collecting information on risk management practices during its field visits and providing better visibility with respect to how the systematic use of risk management is evolving in the field.

34.   In line with the adopted light-touch approach, soft guidance on regular risk management activities continues to be part of the planning, implementation, monitoring and reporting requirements as applicable. Compliance with the current mandatory requirements is monitored by the Enterprise Risk Management Unit, in close collaboration with the regional bureaux.

D.   Recommendation (paragraph 56)

35.   *The Board recommends that greater attention should be given to the status and quality of mitigating actions in country office risk registers, to ensure they are realistic, complete and updated. The Board also recommends that the bureaux develop their review processes to provide more regular and formal feedback on the quality of mitigating actions and utilize them as part of country plan considerations.*

Measures taken by the Administration

36.   The year 2015 was fully dedicated to the rollout of the enterprise risk management framework, with significantly greater emphasis on compliance aspects. This approach yielded completion of the first organization-wide risk assessment.

37.   Central monitoring of the corporate risk register showed uneven quality of risk information (such as depth of risk analysis and relevance/adequacy of risk treatments) in the field operations. Starting in fourth quarter of 2015, through follow-up on the annual risk reviews, the Enterprise Risk Management Unit has been gradually moving towards quality assurance of risk management information contained in the register.

38.   Additional business intelligence capabilities will be developed to better support the work of the regional bureaux in this area. This will allow for better analysis of risk information, notably for the priority risks. As of the first quarter of 2017, the Internal Audit Division of OIOS will move towards comprehensive risk assurance. This will build on the work already carried out by OIOS during their field visits.

E.   Recommendation (paragraph 57)

39.   *The Board recommends that UNHCR work further towards the full integration of the corporate and strategic risk processes and embed the information flows more formally within the decision-making processes.*

Measures taken by the Administration

40.   It should be recognized that, by its nature, the strategic risk register may be only partly aligned with the corporate risk register. In addition to risks aligned with the emerging risk trends in the field, the strategic risk register also contains organization-wide risks of a global nature. The strategic risk register has been developed in parallel with the ongoing risk assessments and reviews taking place in the field. The category-based analysis of the risk trends from the corporate risk register indicates growing convergence between the two registers.

41.   The Enterprise Risk Management Unit will continue to conduct trend analysis of the corporate risk register and ensure reasonable thematic alignment between the two risk registers. The result of such analysis will continue to be reflected in the strategic risk register.

F.   Recommendation (paragraph 65)

42.   *The Board recommends that UNHCR headquarters develop a formal reporting mechanism on the frequency and comprehensiveness of verification exercises, enabling it to obtain assurance as to the accuracy of the data regarding its existing population of concern, and provide a stronger link between the results and the deployment of resources.*

Measures taken by the Administration

43.   UNHCR will develop a formal registration reporting mechanism that will consist of various templates to facilitate monitoring of the planning, implementation and reporting of the verification exercises, including information on statistical and protection outcomes of the exercise measured against baseline population figures, budget and resource expenditure, and protection objectives.

44.   UNHCR will ensure compliance with the reporting requirements through its network of regional registration officers, with support from regional representations. The results of the reporting mechanism will be shared with all relevant stakeholders, to provide transparency on progress made and outcomes.

G.   Recommendation (paragraph 73)

45.   *The Board recommends that UNHCR headquarters, as matter of urgency, implement a benefits realization process for the biometric identity management system (BIMS), and use it to determine whether the roll-out of BIMS should continue, and provide an evidence base to support management decisions on future investment.*

Measures taken by the Administration

46.   A benefits-realization matrix is being developed for the BIMS project, drawing on the initial project description and consultations with stakeholders. The next steps will consist of: (i) developing indicators; (ii) incorporating the indicators into the global planning matrix; and (iii) creating fields to differentiate between "expected" and "realized" goals for each indicator, as well as a column for narrative and date of most recent follow-up.

H.   Recommendation (paragraph 81)

47.   *The Board recommends that UNHCR monitor the extent to which budgets reflect the needs as assessed for future plans. In doing so, it needs to provide greater challenge on discrepancies to ensure figures remain credible.*

Measures taken by the Administration

48.   The review of assessed needs for future plans and the extent to which these are reflected in budget figures is already a key element of UNHCR's annual programme review process and the figures submitted are challenged. However, measures will be implemented to provide additional guidance to field operations regarding important elements to be included in the needs assessment, including implementation capability and operational context in which UNHCR and partners will carry out the activities; specific training will also be provided to staff responsible for conducting these exercises. The steps taken to implement the recommendation included in paragraph 65 on population verification exercises will also complement these measures and contribute to implementation of this recommendation.

I.   Recommendation (paragraph 88)

49.   *The Board recommends that UNHCR (a) assess whether the level of scrutiny applied during its annual budget process is at an appropriate level and, in doing so, determine the costs involved at all stages of preparation; and (b) assess the merits of a multi-year planning approach to resource allocation decisions, as well as other models, such as targeted "deep dives" for the highest risk operations, and assess where these approaches should be rolled out further and where a lighter touch can be applied.*

Measures taken by the Administration

50.   The revision of UNHCR's resource allocation framework is currently underway. Upon completion of the annual programme review process during the first half of 2017, UNHCR will assess the effectiveness of the new approaches to be introduced through the revision, as well as the associated costs.

51.   Institutionalization of a multi-year approach to planning and resource allocation will also be considered as part of this framework revision. Targeted "deep dives" for major operations will continue to be undertaken. The methodology will be reviewed to ensure that it is sufficiently robust, while remaining manageable according to available resources and other priorities.

J.   Recommendation (paragraph 111)

52.   *The Board recommends that UNHCR identify areas of good practice in challenging the cost base of projects delivered by implementing partners, identify where efficiency savings are being considered and achieved, and share that information across other offices through a central focus point at headquarters.*

Measures taken by the Administration

53.   A mechanism for identifying, gathering and sharing good practices will be developed, in consultation with the regional bureaux and country level operations. Such a mechanism will most likely be piloted in several countries before implementing it throughout the organization.

K.   Recommendation (paragraph 122)

54.   *The Board recommends that UNHCR rethink its approach to overseeing durable solutions so that it becomes embedded in delivery, using its multi-year strategies. It should consider developing a matrix of operations that show the likelihood of success for durable solutions, which captures the political and structural barriers to delivering successful durable outcomes, using that information to determine the effective allocation of resources within its annual programme review.*

Measures taken by the Administration

55.   The multi-year, multi-partner protection and solutions strategy approach was established as a pilot project for six countries. During the 2016 annual programme review process, the strategies of the pilot countries were reviewed and validated.   While implementation of the strategies is ongoing, the annual programme review recommended an expansion of the pilot to include more operations operating under this approach.

56.   This approach will gradually move UNHCR operations into multi-year, multi-partner protection and solutions management, reflecting the local socio-political and economic realities. It will allow the organization to determine an effective allocation of resources and the operations to efficiently implement sustainable protection and solutions interventions for persons of concern.

IV.   Other recommendations and measures taken

A.   Recommendation (paragraph 39)

57.   *The Board recommends that UNHCR review the arrangements in place for both the steering and business owners committees to ensure that: (a) they meet at key stages during the project and when significant changes are being considered; (b) more formal documentation is maintained to support the way in which key risks are being controlled; and (c) they meet when they provide approval for budget changes.*

Measures taken by the Administration

58.   UNHCR has already established a formal review process that is conducted at key stages during the project. This process involves multiple stakeholders and management bodies, i.e. the Business Owners Committee, Steering Committee and Information and Communications Technology Governance Board. These bodies are tasked to review and document the impact of any significant changes before the submission of change proposals to the annual programme review or to the Budget Committee. UNHCR considers this recommendation as implemented.

B.   Recommendation (paragraph 44)

59.   *The Board recommends that UNHCR use the performance measures and key benefits to develop a benefits realization plan, reporting progress against each measure to senior management on a regular basis; furthermore, the plans should have the formal approval of the Steering Committee.*

Measures taken by the Administration

60.   The benefits realization plan for the MSRP upgrade project has been prepared. It provides a summary of key benefits extracted from the business case and the strategic key priorities identified by the business stakeholders, and it has been endorsed by the Steering

Committee and the Project Sponsor. The benefits will be derived over a multi-year iterative process and include refined, redesigned and improved business processes, reduced manual efforts, reduced duplication of efforts, improved operational effectiveness, the adoption of industry best practices and standards, better accountability, and greater transparency and user satisfaction.

61.   It should be noted that the obsolescence of the system and the discontinuation of technical support were the main driving factors for the initiation of the MSRP upgrade project. As a result of the upgrade, UNHCR will also obtain efficiency gains, which are expected to become visible in 2017, and full impact will be observed during the period 2017-2018. UNHCR considers this recommendation as implemented.

C.   Recommendation (paragraph 63)

62.   *The Board recommends that, following the results of a verification exercise, UNHCR headquarters and regional teams assess the impact, if any, on resourcing requirements in the relevant operation and for other operations in the region, to assess where the extra resources should be deployed.*

Measures taken by the Administration

63.   A working group comprising of staff from specific divisions and regional bureaux will be established to systematically review the results of the verifications of the population figures at each stage of the planning cycle and to ensure that adjustments in resource requirements are made, as necessary. This will commence with the 2016 mid-year review process and will continue with the pre-planning stage for the 2017 budget.

D.   Recommendation (paragraph 85)

64.   *The Board recommends that UNHCR review the role of the bureaux to ensure that its activities are aligned with and complement other headquarters efforts, and that it sufficiently supports countries in applying more formal and evidenced aspects of headquarters scrutiny to the plans prior to submission.*

Measures taken by the Administration

65.   The revision of the internal resource allocation framework currently underway will include modifications of the annual planning, review and approval processes to achieve improvements in the quality of the submissions and increased efficiency of the review and approval processes. The revision will further clarify the roles of various headquarters entities, including the regional bureaux, involved in these processes.

E.   Recommendation (paragraph 91)

66.   *The Board recommends that UNHCR review how it can simplify country operation plans, for example, by reporting only changes compared with the previous year, key areas of spending, etc., and through better use of graphical representation, focusing on outcomes and achievements against targets. UNHCR operations need to better determine which operational objectives, outputs and indicators to include, using only those that are most pertinent.*

Measures taken by the Administration

67.   UNHCR is undertaking a comprehensive review of its results-based management framework to simplify and streamline the planning and budgeting processes and associated implementation, monitoring and reporting requirements. The simplification of the country operations plans will be addressed as part of this exercise, with impact being demonstrated in future cycles. However, to address the Board's recommendation at the present stage, UNHCR will consider introducing transitional requirements for the preparation of the operation plans for the 2018-2019 biennium, within the technical limitations allowed by its current planning platform.

F.   Recommendation (paragraph 93)

68.   *The Board recommends that UNHCR systematically allocate sufficient resources to expand its evaluation coverage of field programmes against agreed risk criteria so as to improve the evidence base for resource allocation.*

Measures taken by the Administration

69.   The revised evaluation policy, intended for issuance shortly, envisages greater resources being devoted to widen the evaluation coverage. The adequacy of the policy will be assessed through a peer review, which is expected to take place in the fourth quarter of 2018.

G.   Recommendation (paragraph 98)

70.   *The Board recommends that UNHCR and country operations improve the design of efficiency activities, such as restructuring, to enable their impact to be measured and to allow for better decision-making for resource allocation.*

Measures taken by the Administration

71.   Annual planning, budgeting and reporting instructions for 2017 are being updated to include a requirement to highlight activities where planned efficiencies have resulted in savings or to explain why this has not been possible.

72.   In addition, the multi-year planning framework, which is currently being elaborated, should support the analysis of efficiency activities, as this type of analysis often falls beyond the scope of reviews undertaken in the current one-year planning cycle.

73.   UNHCR is also conducting several structural and staffing reviews in the field to determine optimal organizational design and workforce requirements, and to improve efficiency of the respective country teams.

H.   Recommendation (paragraph 102)

74.   *The Board recommends that greater scrutiny be applied to programme support costs, both at headquarters and within operations. UNHCR should review operations where support costs cannot be reasonably justified.*

Measures taken by the Administration

75.   Support costs are regularly and routinely reviewed when country plans and budgets are submitted on an annual basis to Headquarters. The revision of the resource allocation framework currently underway, as mentioned above in the responses to the

recommendations in paragraphs 85 and 88 of the Board's report, will contain planning parameters (including for programme support costs), which will be applied in the annual planning process and scrutinized in the review process.

I. Recommendation (paragraph 104)

76.   *The Board recommends that UNHCR headquarters identify which operations have reduced their costs and/or per capita spending, and provide a platform for these operations to share their experience.*

Measures taken by the Administration

77.   UNHCR will take necessary actions to put in place a systematic process as recommended.

J. Recommendation (paragraph 106)

78.   *The Board recommends that UNHCR further scrutinize the cost drivers and value for money within items of significant expenditure. In doing so, it should assess the opportunities for efficiencies to be found in the way they are delivered.*

Measures taken by the Administration

79.   UNHCR will consider this recommendation as part of the actions taken to reply to the Board's earlier recommendation to review the scrutiny process for the cost effectiveness of its proposed interventions (A/70/5/Add.6, para 68). In response to this earlier recommendation, UNHCR aims to review and propose measures to streamline the current processes for the assessment and analysis of cost-effectiveness, both at the operational and headquarters levels. UNHCR will also address the need to develop guidance for the identification and analysis of cost drivers and their impact on value for money aspects.

80.   UNHCR is also undertaking a comprehensive review of its results-based management framework to simplify and streamline the planning and budgeting processes. This will contribute to enhancing the mechanisms for the identification and monitoring of cost driver elements.

K. Recommendation (paragraph 118)

81.   *The Board recommends that UNHCR develop performance measures to assess the added-value impact of "Seeds for Solutions", and, more widely, activity to deliver durable solutions. In doing so, UNHCR should develop a strategy for working effectively with development partners and host governments.*

Measures taken by the Administration

82.   UNHCR's strategy for working effectively with development partners has been in place for some time and has yielded results. This includes well-established and/or renewed collaboration with, among others, the World Bank, the Organisation for Economic Co-operation and Development, host governments and the Solutions Alliance.

83.   Furthermore, the "Seeds for Solutions" initiative has supported the establishment of the multi-year multi-partner protection and solutions strategy approach, which provides a framework for enhancing solutions delivery, as recommended by senior management during the 2016 annual programme review process. The multi-year, multi-partner protection and solutions strategy approach is accompanied by clear tools and guidance on

performance monitoring. Six countries have been included in the pilot phase, and UNHCR aims to expand the number of countries to 21 by 2017. UNHCR considers this recommendation as implemented.

V. Conclusion

84.   UNHCR reiterates its commitment to addressing the recommendations made by the Board of Auditors and to continue improving procedures, systems and controls in order to mitigate the identified risks. The Board's findings and recommendations that have been accepted by UNHCR will help the organization prioritize its resources in those areas where it is most exposed to risks.

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