

**Executive Committee of the
High Commissioner's Programme**

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Standing Committee

Eighty-eighth meeting

13 September 2023

Held at the Hôtel Mercure, Geneva
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*Chairperson: Ms. Ahmed Hassan, Ambassador, Permanent Representative of
Djibouti*

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Ms. Ahmed Hassan (Djibouti) took the Chair.

The meeting was called to order at 10:10 a.m.

Opening of the meeting

1. The **Chairperson** declared open the eighty-eighth meeting of the Standing Committee.
2. The **Chairperson**, on behalf of the Standing Committee, extended deepest condolences to the people of Morocco following the powerful and tragic earthquake that had taken place on Friday, 1 September and to the people of Libya in the wake of devastating floods on the previous day, both events having resulted in the loss of many lives and in severe destruction. The Committee's thoughts were with all those who had been impacted by the tragedies and a full recovery was wished to all those who had been injured. Throughout the meeting, many delegations echoed these condolences and expressed their sincere wishes for a full recovery.
3. In the intersessional period since the seventy-third plenary session of the Executive Committee in October 2022, the Standing Committee had considered important issues at both formal and informal meetings: in March 2023 it had discussed the regional operations and global programmes of UNHCR and in June 2023 it had discussed international protection. At the end of the present cycle of meetings, and in preparation for the seventy-fourth plenary session of the Executive Committee, the deliberations would focus on: management; financial control; administrative oversight and human resources; the programme budget; and international protection.

1. Adoption of the agenda (EC/74/SC/CRP.18) and other matters

4. The **Chairperson** drew attention to the draft decision on budgets and funding in document EC/74/SC/CRP.21 and invited any members wishing to propose amendments to submit them to the Secretariat in writing at the earliest opportunity. The agenda (EC/74/SC/CRP.18) was adopted.

Opening remarks by the Deputy High Commissioner

5. The **Deputy High Commissioner, UNHCR**, extended condolence to the people of Morocco and Libya in the wake of the recent tragic events in their countries; UNHCR stood ready to support both countries in their hour of need.
6. She thanked Member States for standing with refugees as they sought to rebuild their lives; UNHCR did not take that support for granted, especially at a time when hope seemed in short supply and when the humanitarian landscape was sobering. A record number of people had been forcibly displaced; there were few prospects for peace in Ukraine; and more than five million people in Sudan (the) had been forced to leave their homes. Obstacles seemed endless with political fatigue setting in, anti-refugee sentiment on the rise and shrinking options to seek asylum safely. As a result, families were pushed into dangerous journeys, often at the mercy of smugglers and criminal networks, through jungles, across deserts, or left to fend for themselves on the seas.
7. While conflict, persecution and violations of human rights remained primary drivers of displacement, they were increasingly difficult to separate from powerful external drivers such as economic disruptions and climate shocks. The 'climate breakdown' described by the United Nations Secretary General might have begun, but its impact on the forcibly displaced and refugees had yet to be fully understood. There was, however, a clear trend towards more frequent and recurring displacement emergencies. In 2021 and 2022, UNHCR had declared 75 new emergencies in 44 countries, roughly one emergency every two weeks, with each declaration triggering a set of well-coordinated actions to ensure that UNHCR and partners were present on the ground from the first hours of the crisis to provide protection and lifesaving aid.
8. At the present time, UNHCR had active emergency declarations in 20 countries, with a further 23 assessed as being 'high risk'. There were also the silent

emergencies of protracted displacement crises, such as those in Colombia, Iran (Islamic Republic of), and Kenya where, year after year, countries generously continued to host refugees and others, providing safe and inclusive environments where refugee children could go to school, and where refugees could not only seek to meet their own needs but to give back to the communities that hosted them.

9. The annual budget of UNHCR was based on a thorough and collaborative assessment of current and projected needs, conducted from each country where UNHCR operated. The process involved extensive reviews and revisions, including by UNHCR teams in regional bureaux and technical divisions in Headquarters. It comprised a review and report by the Advisory Committee on Administrative and Budgetary Questions (ACABQ), with whom UNHCR met every year in New York. The needs were then tallied into the global figure proposed to the Standing Committee before formal adoption during the plenary session of the Executive Committee in October each year.

10. For 2023, the global budget of UNHCR stood at close to \$11 billion, including the initial \$10.2 billion approved by the Executive Committee in 2022, to which supplemental requests had been added to account for unforeseen emergency needs tied to the responses in Pakistan, Türkiye, Syrian Arab Republic, Sudan (the) and many other countries. For 2024, budgetary requirements amounted to \$10.6 billion: with few reasons to be optimistic about a change in the situation in Afghanistan, the displacement in the East and Horn of Africa and few solutions for displaced Syrians and Rohingya, it was difficult to foresee anything other than a continuation of current trends. Political solutions were desperately needed.

11. The current funding situation was extremely challenging: UNHCR's budget for 2023 had been only 38 per cent funded thus far, while it had been 47 per cent funded in 2022. There had been a 29 per cent drop in contributions received compared to the same period in 2022 and it was estimated that the funding shortfall in 2023 would be several hundred million dollars below the previous year's operating level. It was anticipated that 2024 would be even more challenging. The shortfall would mean fewer resources for UNHCR and its partners who would be able to do less for refugees: fewer children would go to school; there would be an increase in families relying on negative strategies to survive; there would be longer waits for fewer essential services such as shelter and housing support, while legal documentation would be more difficult. Less funding would mean more refugees in vulnerable positions with more incidents of domestic and sexual violence. Fewer displaced people would be able to benefit from direct cash programmes and there would be fewer employment opportunities. It would also mean increased pressure on host countries who would shoulder more of the responsibility. There would be more xenophobia and political pressure, with some refugees choosing to return prematurely to their countries of origin or to take dangerous onward journeys in the hope of reaching other countries of asylum.

12. Despite that bleak picture, she reiterated appreciation for the support and contributions made to UNHCR at a time when resources were stretched across the entire humanitarian system. When the needs were so evident, UNHCR must ask for greater support for the people it served. The stakes were too high to be timid. Yet there was hope and UNHCR had worked hard to make up lost ground: firstly, by diversifying its sources of funding, including through the Green Financing Facility, an innovative instrument that showed promise in leveraging new financial resources while contributing to making UNHCR more environmentally responsible. Similarly, UNHCR hoped to generate predictable and flexible resources through Islamic philanthropy and the Global Islamic Fund for Refugees. Work continued with private sector donors and supporters to build on the record-breaking year of 2022. Progress could not be made, however, without the support of Member States for the underfunded appeals, including in Chad and Sudan (the).

13. Adapting to a changing world, UNHCR had worked hard to make itself more resilient, embarking on an ambitious journey of transformation over the previous five years to become nimble by moving its structures away from Headquarters and closer to refugees. It had become more agile as it revamped its systems and shifted to evidence-based, real-time decision making, powered by cloud-based technology. It had become as efficient as possible in its use and allocation of resources. The new cloud-based Enterprise Resource Planning solution (Cloud ERP) would launch in the coming week, capping months of intensive work and careful planning. The Cloud ERP and the Business Transformation Programme represented the types of investment that would enable the organization to become leaner in its processes, policy framework, operational footprint and structural configuration.

14. Over the previous 18 months, cost and personnel structures had been monitored in the light of UNHCR's decentralization and regionalization to ensure the balanced allocation of resources between Headquarters, the seven regional bureaux and its operations, informed by the objective to use resources as efficiently as possible and in line with broader United Nations reform objectives. As a result, the service delivery model for enabling functions such as finance, supply and human resources management had been re-examined and further consolidation considered following the realization that a decentralized model of service delivery did not automatically imply greater efficiencies. In the same vein, the relationship between Headquarters and the regional bureaux had been examined in the light of updated roles and accountabilities and unnecessary redundancy identified in the allocation of resources and capacities.

15. Right-sizing the workforce had also emerged as a priority action in operations where there had been significant changes, including reducing the size of the workforce when emergencies faded and situations stabilized. As a result, in the coming weeks, UNHCR would begin notifying members of the workforce of the planned discontinuation of positions that would take effect in 2024 and 2025. As the financial situation became clearer, there would be a reconsideration of the scope of the planned reductions where the discontinuation of positions was dictated by the funding shortfall rather than by efficiency gains or by changes in operational contexts. UNHCR would continue to undergo tremendous change, but it would remain true to its values and to its unshakeable commitment to protect all those in need of international protection.

16. It had become apparent that some delegations were concerned both by the change in language related to UNHCR's accountabilities to the people it served as set out in the 2024 budget proposal, which would ensure that planning and programming were informed by factors such as age, gender and diversity, and by the absence of language in the conference room paper on human resources that would ensure an equitable approach to the UNHCR workforce on gender parity, racial equality, disability, age, sexual orientation and gender identity. UNHCR had never wavered from a rights-based approach to human rights and refugee law, and it would continue to account for and include the specific protection needs of all individuals, including those for whom their gender or identity posed protection risks. Together with its partners, UNHCR continued to voice concern about acts of racism and intolerance against displaced and stateless populations and remained committed to fighting all forms of discrimination. UNHCR applied the same principles to its own workforce and planned to adopt an updated Framework on Diversity, Equity and Inclusion. It stood ready to engage in dialogue with Member States on any issue related to discrimination, including in the context of dedicated briefings.

17. Concerning UNHCR's commitment to oversight and integrity, it was grateful to the new Board of Auditors team for their recommendations and guidance to improve the control framework and the effectiveness of the organization. Following its examination of the financial statements for the year, the Board had concluded that they presented fairly, in all material respects, UNHCR's financial position and its financial performance and cash flow. UNHCR valued the Board's insights and would continue to address its recommendations in a timely manner. It was equally appreciative of the other external oversight providers, including the Independent

Audit and Oversight Committee and the United Nations Office of Internal Oversight Services which served as UNHCR's internal auditor. In the current year, the Multilateral Organization Performance Assessment Network was assessing the organization's decentralization and regionalization. UNHCR was committed to creating a safe and healthy working environment, free from abuse, discrimination, harassment and exploitation, underpinned by a strong diversity and inclusion approach.

18. She paid tribute to the tireless dedication of UNHCR teams and partners who did not waver in their commitment to forcibly displaced and stateless people, even in the face of uncertainty and adversity, and reaffirmed the intention to ensure that the organization was run in a transparent, effective and fiscally disciplined manner.

2. Management, financial control, administrative oversight and human resources

(a) Finance and oversight

(i) Financial statements for the year 2022 as contained in the Report of the Board of Auditors to the General Assembly on the financial report and audited financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended 31 December 2022 (A/AC.96/74/4)

(ii) Key issues and measures taken in response to the report of the Board of Auditors for 2022 (A/AC.96/74/4/Add.1), as well as follow up to the recommendations from previous years

19. The **Controller and Director, Division of Financial and Administrative Management, (UNHCR)** presenting highlights from the financial statements for the year 2022 and illustrating his remarks with slides, said that the full financial report and audited financial statements contained in document A/78/5/Add.6 would be available in a final edited version on 22 September 2023. There were five main statements: the statement of financial position or balance sheet; the statement of financial performance or profit and loss; net assets; cash flow; and net equity. As shown on the statement of performance, key drivers in 2022 were the higher revenues and expenses due to the increase from Ukraine operations. The cash balance went up to \$1.6 billion, which was some 35 per cent higher than the previous year and there was a spike in inventories due to household items and bedding materials.

20. The most significant variance on the balance sheet related to employee benefits with \$947 million of non-current benefits, the largest of which related to the After-Service Health Insurance (ASHI) which had been included on the balance sheet for the previous ten years in order to meet IPSAS requirements. It had been agreed in 2012 that the unfunded portion of the liabilities would be slowly amortized over 20 years and UNHCR was currently on track to have those liabilities fully funded by 2032. The unamortized portion was still shown in the ASHI reserve.

21. On the statement of financial performance (profit and loss), voluntary contributions had gone up to \$5.9 billion, and cash assistance to Ukraine and other beneficiaries had increased. Travel had gone up to over \$70 million which reflected pre-pandemic levels. Travel had not necessarily become more frequent, but fares had become more expensive; travel was an area that was actively monitored and controlled.

22. The statement of net assets provided a detailed breakdown of the \$3.8 billion of assets shown on the balance sheet. There were four main funds: the accumulated reserves from voluntary contributions; the Working Capital Fund; the Staff Benefits Fund; and the Medical Insurance Plan. Concerning ASHI, money was set aside each year to fund the liability; it was invested and the expected returns over time were calculated. The expected returns over the next 20 years affected the balances that were set aside as a liability. Given the higher interest rates in 2022, the returns had gone up

and the amount that needed to be set aside to offset the liability had gone down. A complex calculation was performed by professional actuaries.

23. IPSAS had strict requirements on reporting of revenue; IPSAS-based net assets at 31 December 2022 stood at \$3.8 billion although some of the current income had been set aside for future use. Pledges and other cash not yet received was recorded even though it was to be used in future years.

Although assets on the budget side were expensed 100 per cent up front, under IPSAS they were capitalized and amortized over time.

24. There were slightly more healthy operational cash balances in 2022, with 3.1 months of operational cash at the end of 2022 representing a small increase over 2021. UNHCR operated on just-in-time management of cash and had one of the lowest cash ratios in the United Nations system. In the first and second quarter each year the amount dipped significantly, necessitating requests to Member States to submit their pledges; care was taken to ensure that cash did not dip too low so that it did not impact operations.

25. In summary, the financial balances had been sound in 2022, with sufficient assets to cover liabilities. The net asset position was positive and cash ratios were strong.

26. The **Director of External Audit (France)**, presenting the audit report of the United Nations Board of Auditors and illustrating his remarks with slides, said that the report comprised a financial audit as well as examining management and performance; in 2022 there had been a focus on knowledge and risk management, including operational and strategic risk. In the following year, there would be a focus on budgetary resources and processes. In 2022, the additional topic of procurement had been examined and in the following year, the topic would be the management of large accounts.

27. The unqualified audit opinion had been the result of a considerable amount of work. Compared to other United Nations agencies the follow-up on recommendations was relatively low at 40 per cent, but the implementation rate was not worrying given the Covid effect and the large amount of post-Covid recommendations. Only 17 new recommendations had been issued in the current year.

28. The increase in revenue had in fact amounted to a decrease when taking into account the Ukraine crisis revenue which meant that UNHCR had received less funds to deal with other crises around the world.

29. Concerning the presentation of staff benefits, the departure from IPSAS obligations meant that a negative reserve was shown instead of a positive reserve and it was therefore not in line with an IPSAS-compliant presentation. As shown, the assets of the Staff Benefits Fund appeared to be “ring-fenced” which was not technically the case.

30. Concerning the comparison of budget and actual amounts, the Needs-Based Assessment presented by UNHCR was a very important communication tool. UNHCR had further improved the comparison of the budget and actual amounts by addressing all the requirements of IPSAS 24.

31. UNHCR risk management had achieved a high level of maturity and it was ahead of what had been observed in other United Nations agencies. Risk management in the field still necessitated some improvement with greater consistency among operations.

32. Procurement was an area that contained many risks and improvement was required in implementing the rules that had recently been updated. The rules were too loose and could raise the risk of the principles of best value for money and of fair competition not being abided by, as well as increasing the risk of fraud and corruption. It was recommended that the 2021 procurement framework be revised to lower the threshold for formal solicitation to more usual levels. There was also a need to strengthen leadership and expertise on procurement and to enhance planning and

monitoring. For longer-term crises, there could be better anticipation of needs. Reallocation of procurement responsibilities was required and better linkage with inventory management, including the development of a more systemic approach in order to avoid waste. On managing risks related to procurement, a second line of defence was key and needed to be reinforced. A number of weaknesses had been noted concerning the compliance of UNHCR procurement practices with applicable rules. It was recommended that regular reviews should be undertaken, and measures put in place to tackle the root causes of those weaknesses which were linked to lack of expertise at the field level and lack of information at regional level.

33. The representative of the **European Union and its member States** (group statement) welcomed the presentation in the report of the Independent Audit and Oversight Committee (EC/74/SC/CRP.19) of UNHCR efforts to strengthen internal controls and anti-fraud measures in an increasingly complex operating environment, as demonstrated by the unqualified audit opinion issued by the Board of Auditors for 2022. Robust controls and oversight being key to gaining the trust of donors, particularly in difficult settings, the European Union and its member States called on UNHCR to continue its proactive engagement on oversight and integrity issues. They joined the Committee in encouraging UNHCR to further strengthen accountability, internal controls and anti-fraud measures as part of its business transformation programme, and encouraged it also to better address the improvements that it had recommended.

34. Acknowledging the Committee's interpretation that the growing number of complaints received was a sign of increased trust in the system, his delegation shared the Committee's concern about investigations being undermined by the failure of key witnesses to provide evidence owing to fears for their safety and encouraged UNHCR take swift and robust action to enhance the witness protection system, drawing on best practices at other United Nations agencies. UNHCR should continue to prioritize efforts to tackle sexual exploitation, abuse and harassment by means of a zero-tolerance policy and victim-centred approach that should be extended to its implementing and collaborating partners, including Governments, while further strengthening the "joined-up approach" with other agencies within the framework of the Inter-Agency Standing Committee. The European Union and its member States welcomed the allocation of additional resources by UNHCR to the prevention of fraud and misconduct in the field and looked forward to receiving further updates on the concrete measures taken in that regard.

35. The European Union and its member States encouraged UNHCR to promptly issue an internal audit charter, with awareness-raising for staff and partners, and would welcome regular updates on enterprise risk management, including on the proposed review of the strategic risk register. They also looked forward to receiving more information, preferably in regular briefings, on the five-year strategy being developed under the revised evaluation policy issued in 2022, together with regular updates on the 2023 Multilateral Organization Performance Assessment Network review, among other evaluations; the European Union and its member States encouraged the Organization to ensure the independence, accountability and overall coherence of centralized and decentralized UNHCR evaluations.

36. Regarding the Independent Audit and Oversight Committee's remarks on the financial statements for 2022, and noting the risks to the sustainability of funding for longer-term operations, the European Union and its member States pledged to work with UNHCR to find the right balance in responding to new emergencies. While agreeing on the need to avoid the duplication of audit costs, the European Union and its member States stood by their obligations of due diligence and accountability to relevant governmental authorities, parliaments and citizens. In the pursuit of cost-effectiveness, they remained committed to the Grand Bargain and called on UNHCR to continue to enhance coordination, explore innovative solutions and optimize processes to achieve a greater impact and sustain its support to forcibly displaced communities. Welcoming the plans to assess the impact gains of the business transformation programme, they recognized that UNHCR was working to mitigate

internal and external risks and agreed with the Committee that it might be advisable to reduce the proportion of headquarters costs in the regionalization and decentralization process.

37. On strategic planning, the European Union and its member States appreciated that the 2022 edition of UNHCR's Global Report had been based on results-based management outcomes and impacts and expected further high-quality data to be provided in the next reporting phase. As to information and communications technology, more details would be welcome on the 2023 policy on information security.

38. Calling on UNHCR to take into account the findings of the Board of Auditors and the internal audit reports, and stressing that senior management needed to address the root causes of irregularities in the field and at headquarters, as well as to ensure the timely implementation of all recommendations, the European Union and its member States welcomed and supported the conclusions of the draft three-year work plan covering key priorities for the Executive Committee for the period 2024–2026.

39. The representative of **Canada**, recognizing the invaluable work of the Office of Internal Oversight Services and the Independent Audit and Oversight Committee, expressed appreciation to UNHCR for its efforts to enhance transparency, including through early notification on critical issues and regular updates on integrity, and, encouraging the Organization to continue to strengthen its accountability framework, internal controls and anti-fraud measures, commended its progress in developing an efficient independent management and control system. On the growing number of complaints received by the Office of the Inspector General, which the Independent Audit and Oversight Committee had interpreted as a sign of increasing trust in the system, more information would be appreciated on how the percentages of complaints investigated or referred compared to other United Nations entities.

40. Welcoming the Board of Auditors' positive assessment of the Organization's financial position, her delegation, in view of the continued reliance on a limited donor base, would also appreciate more information on the efforts to expand that base, as well as on the next steps in its plans to improve procurement and risk management, especially in the field.

41. Canada looked forward to examining the outcomes of the review by the Multilateral Organization Performance Assessment Network on the decentralization and regionalization reform.

42. The representative of **the United States of America** said that her delegation welcomed the conclusion of the Board of Auditors that the Organization's financial statements for 2022 presented fairly, in all material aspects, its financial position, performance and cash flows as at the end of that year. Regarding the Board's recommendations, her delegation agreed that UNHCR should ensure greater consistency in the way in which risks were reviewed and could be escalated to the level of regional bureaux. Noting that 6 of the 17 recommendations pertained to UNHCR procurement practices, the United States, given that the current funding environment made an efficient use of resources all the more important, encouraged the Organization to address the recommendations in a timely manner and close them as soon as possible.

43. The representative of **Switzerland**, thanking the Independent Audit and Oversight Committee for its high-quality work, said that his delegation was keen to know how UNHCR would deal with the risks inherent to its current situation, with its increased workload, decreasing human and financial resources and its management systems still undergoing transformation; the systems, on the whole, were still working but further improvements were needed in several areas. With the significantly larger number of complaints received by the Office of the Inspector General set to soak up still more resources, the question was whether that would leave less for the Organization to upgrade its fraud, corruption and misconduct prevention systems.

44. UNHCR was not working in isolation. As part of the United Nations' Risk Management System, it was in a position to promote common standards, compare the effectiveness of the various approaches and encourage others to share and discuss their information and lessons learned to the benefit of all; his delegation invited the IAOC to advocate for such a joined-up approach. In the case of the criteria for the strengthening of corporate information security, which were dealt only with respect to the UNHCR, his delegation raised the question of how they compared to other organizations and whether they should not be measured so as to have an aggregate figure with which the Committee could monitor their development from one year to the next.

45. On the Multilateral Organization Performance Assessment Network review of UNHCR, which his delegation regarded as an invaluable tool, his delegation suggested that the next Global Refugee Forum might be the right time to present the preliminary findings.

46. Further to the Independent Audit and Oversight Committee's concern about the increased trend of earmarking contributions for specific crises, his delegation was concerned that the resources in question were being allocated to the crises attracting the most attention but not necessarily in targeted or strategic way. Switzerland therefore invited all contributors to make their contributions flexible enough to ensure that they collectively provided UNHCR with at least 30 per cent of its resources. Meanwhile, further to the observation that too much funding was provided by too few countries and the need for UNHCR to diversify its fundraising, and suggesting that events such as the next Global Refugee Forum and Nansen Refugee Award ceremony as possible opportunities to address that need, he wondered how to measure the effectiveness of the approach in comparison to other fundraising efforts and initiatives.

47. On the transformation process, while the Committee's report referred to decentralization and regionalization, providing preliminary observations and recommendations, the process had yet to undergo an evaluation, which, once under way, would make it possible to analyse the progress to date and the remaining challenges. Requesting clarification as to whether the Independent Audit and Oversight Committee would be involved in defining the terms of reference and monitoring the evaluation, Switzerland looked forward to it continuing to carry out its critical, invaluable constructive, work.

48. The representative of **Australia**, expressing appreciation for the update on the decentralization process, said that her delegation had noted the benefits, as reported by the regional bureaux, and supported the Organization's efforts to bring decision-making closer to the places where UNHCR was operating and the people that it served; it looked forward to seeing the results of the current evaluation, such as on budget-related efficiencies.

49. Australia also appreciated the update on the work of the Inspector General's Office to prevent and investigate fraud and misconduct. It shared the concern of the Independent Audit and Oversight Committee about the Office being unable to complete some investigations because key witnesses had been unable, or unwilling, to provide evidence, however, and encouraged UNHCR to continue to strive to ensure that they had adequate support. More information on how the Office decided which complaints to investigate and which to refer to other agencies would be interesting; and an assessment of whether the numbers were in line with other United Nations agencies, as the Committee had suggested, would be welcome.

50. Australia was supportive of UNHCR's work to tackle sexual exploitation, abuse and harassment, including through oversight mechanisms. It did not tolerate any such exploitation, abuse and harassment and expected partners not to either. Real change was only possible if everyone took responsibility for its prevention and UNHCR must continue to strive to combat sexual misconduct, keeping Member States informed of its progress and providing them with statistical data on the reports received, investigated and resolved.

51. Australia reaffirmed the importance of the independence of oversight mechanisms in a complex working environment, Australia looked forward to the completion of the Multilateral Organization Performance Assessment Network review later that year.

52. The representative of **Norway**, expressing her country's gratitude to UNHCR for its highly valued work, encouraged the Organization to ensure that all the recommendations received were effectively implemented, calling also for a proactive approach in addressing recurrent issues.

53. With more than 108 million forcibly displaced persons in the world and in a political climate where the scope for solutions was limited, UNHCR was clearly under pressure to deliver on its core mandate. Her delegation was glad to note its continued active engagement in efforts to mitigate the risks to its capacity. As constantly complex working environments called for functioning internal controls and independent oversight mechanisms that were fit for purpose, it joined the Independent Audit and Oversight Committee in encouraging UNHCR "to take full advantage of opportunities to further strengthen accountability, internal controls and anti-fraud measures as part of the redesign of structures and processes". It was important also to further strengthen the prevention of sexual exploitation, abuse and harassment, prioritizing the necessary time and resources and with the strong commitment on the part of management. More information on the status of that work would be welcome. The Organization's mandate, complexity and financing model required it to uphold and comply with the highest standards of management and accountability, and the prevention of all forms of sexual misconduct, fraud and corruption was crucial.

54. The representative of **Nigeria** took due note of the report of the Board of Auditors on the financial activity of UNHCR in 2022, and commended UNHCR for its interagency co-operation as co-chair of the Risk Management Forum of the High-level Committee on Management, reaffirmed her delegation's view that adequate risk management in operational contexts was crucial to ensuring that all UNHCR staff in the field were adequately protected while performing their duties in fulfilment of the Organization's mandate. Regarding the voluntary contributions received in 2022, the fact that some 90 per cent of them had been earmarked had been a challenge because earmarked contributions, according to the report, "place[d] constraints on Management's ability to deploy resources flexibly and to meet demand across all areas of activity". Nigeria therefore called on UNHCR to redouble its efforts to secure more flexible funding while striving to strengthen its engagement with private donors – total contributions from private donors had remarkably doubled their contributions in 2022.

55. Nigeria requested more information on the Organization's efforts to address the 41 Board recommendations still under implementation, seven of which dated back to the 2019 audit.

56. The representative of the **United Kingdom of Great Britain and Northern Ireland**, expressing appreciation to the Board of Auditors for the report contained in document A/AC.96/74/4 and to UNHCR management for its response (A/AC.96/74/4/Add.1) said that the Board's reports as key to ensuring effective oversight, which was of the utmost importance to her delegation, which valued greatly the insights imparted therein. The report for 2022 provided further strong evidence of extensive efforts to strengthen and make UNHCR a more effective and efficient organization, and the United Kingdom of Great Britain and Northern Ireland applauded its progress and continued commitment to listen and respond to Board recommendations for further improvements, such that of adopting a consistent methodology for defining internally its tolerance for operational risks at field levels.

57. More information would be appreciated on how UNHCR intended to address the issue of the usefulness of the online risk register tool; on the requisite steps and timelines to improve the added value of regional bureaux through multi-country or regional reporting; on the steps that management was taking to ensure the timely implementation of recommendations; and on the reasons for the increase in the number still outstanding.

58. On procurement, her delegation commended the Board of Auditors for its remarks on shortcomings in the 2021 procurement framework and requested UNHCR to identify the risks related specifically to fraud and corruption, together with the key themes to address in responding to the recommendation that the framework be revised. UNHCR management, in its response to the report, had embraced the recommendations pertaining to risk management, which was encouraging, but the tone of the response on those related to procurement, such that of lowering the threshold for formal solicitation, appeared slightly more non-committal. The United Kingdom requested UNHCR to clarify its position in regard to the reasons for the changes and how it intended to manage the risks flagged by the Board in terms of value for money and fraud and corruption.

59. The representative of **the Russian Federation** expressed appreciation to the external auditors for a comprehensive, detailed, examination of the financial situation of UNHCR that gave Member States a good grasp of the Organization's capacity to deliver on its mandate, and asked whether, in the auditors' opinion, there were any risks to its long-term solvency, whether it had the necessary reserves and whether there were any vulnerabilities in its current structures.

60. On the internal controls, he said that his delegation was concerned to see self-assessment treated as a mere formality in the report of the Board and asked whether the auditors had considered the next steps for management to foster a culture of self-assessment in the Organization. Meanwhile, the gaps highlighted in the internal control framework were a reminder of the need to fully operationalize the risk management system, which would call for a risk appetite statement, taking into account the results-based management system in place, to guide the strategic decision-making at various levels of the Organization. Given the risks faced daily in its area of expertise, his delegation encouraged UNHCR to take very seriously the task of developing such a statement and wondered when it might be able to submit a draft risk appetite statement to the governing bodies for their approval, as per best practices elsewhere in the United Nations system. More information on how UNHCR management felt about the auditors' comments on the maturity of the risk management system and how that system dealt with persistent fraud would be appreciated, together with clarification of the term "positive risks".

61. On procurement matters, the Russian Federation shared the auditors' concern about the threshold for formal solicitation having been raised to \$250,000, making it the highest such threshold in the United Nations system, which risked undermining the Organization's potential for effective international competition and creating the conditions for more systematic violations. The situation was further complicated by the need to reinforce its expertise on procurement, which raised the question of whether it was logical to raise the threshold for requests for proposals when levels of professional skills in the Organization were too low. His delegation suggested that UNHCR organize a separate briefing on all aspects of procurement, particularly its sustainability.

62. The Russian Federation urged UNHCR management to ensure the full and timely implementation of all the external auditors' recommendations.

63. The representative of the **Bolivarian Republic of Venezuela**, expressed appreciation for the detailed information on UNHCR's financial situation presented in the documents containing the report of the Board of Auditors and the key issues and measures taken in response, and drawing attention to the figures on the status of implementation of the Board recommendations issued from 2019 to the end of 2021 (table II.1), she said that her delegation took note of Organization's efforts to implement and close those still outstanding at the start of 2022, in particular in conducting a comprehensive evaluation of the decentralization and regionalization reform for inclusion in the 2023–2024 work programme of its Evaluation Service, pursuant to the recommendation that UNHCR "follow up on the impact and costs of the reform to establish if the intended results foreseen in the 2019 decisions on decentralization and regionalization had been achieved"; more information on prioritization and planning in the implementation process would be appreciated.

64. Turning to the report of the Office of Internal Oversight Services on the internal audit of UNHCR activities from 1 July 2022 to 30 June 2023, and noting the number of Office recommendations issued over that period that had been implemented and closed, she expressed her delegation's concern that performance and control weaknesses had been attributed to operating in high-risk contexts with insufficient resources, which her delegation, in turn, attributed to the fact that the lion's share of contributions to UNHCR had been earmarked; that the possible root causes identified by the Office included inadequate planning, staff non-compliance with UNHCR policies and procedures and inadequate oversight by the second line; and that a lack of sustained improvement in some field operations had led to closed recommendations being reissued to address the same issues as raised in previous audits, which called for stricter monitoring and control by the relevant regional bureaux. The assessment of UNHCR's capacity to support the implementation of the Global Compact on Refugees was concerning, too, particularly the observation about Governments lacking the capacity and resources to deliver services under their national health and education systems, among others.

65. Further, among the key conclusions and observations of the Independent Audit and Oversight Committee, in its annual report for 2022–2023, her delegation was particularly concerned about the risk of the sustainability of funding for longer-term operations being undermined by an increased trend of earmarking contributions for new emergencies, which, as Venezuela (Bolivarian Republic of) had repeatedly highlighted, denied UNHCR and Governments the flexibility needed to manage initiatives in changeable emergency situations; that of a duplication of efforts and costs and undermining of trust due to audit-like interventions in – and the micromanagement of – programmes and activities by individual donors; and the fact that 43 per cent of total funding had been provided by just three donors. The Venezuelan delegation had consistently called for the Organization's financing model to be geared more towards the mobilization of unearmarked resources, including development funding, to ensure that UNHCR had the capacity to address every aspect of its mandate in advancing the objectives of the Global Compact, particularly in regard to finding durable solutions, including that of voluntary returns.

66. The representative of **Germany** said that his delegation was pleased to see the evidence of UNHCR actively pursuing the implementation of recommendations from past audits; that it regarded the new recommendations pertaining to UNHCR risk management and procurement as particularly meaningful and, in that light, had taken note of the need to improve the Organization's accounting for stocks, inventories and consumables and, in that light, the accuracy of the valuation of tangible assets; and that it welcomed the allocation of additional resources to the Office of the Inspector General and looked forward to learning more about how they were used.

67. On the audit environment more generally, Germany recognized the burden that numerous external audits had placed on the Organization and supported a harmonized approach to reporting and auditing, in the spirit of the Grand Bargain, which it considered necessary for UNHCR to maintain streamlined management and remain focused on its core activities. From the donors' point of view, audits should be based on fair cost-benefit analysis and solid risk-sharing, and Germany, as a donor requiring relatively little additional auditing, recommended considering a dialogue with the objective of reducing the number of external audits.

68. The representative of the **Republic of Korea** underscored the importance of implementing all the new recommendations of the Board of Auditors in a timely manner. Among the 2021 audit recommendations still under implementation, it was particularly important for UNHCR to continue to address those pertaining to the decentralization and regionalization reform and human resources management. Regarding the former, with a comprehensive evaluation of the reform now included in the Evaluation Service work plan for 2023–2024, it was important to ensure that follow-up evaluations, in the interest of their effectiveness, were both comprehensive and inclusive, which called for, inter alia, consultations with States, high levels of external engagement and partnership and communication with stakeholders;

Secretariat updates on the latest developments at key stages of the evaluation process would be welcome. As to the latter, his delegation was convinced that, with the commitment of senior management, meaningful progress could be made on key factors in the areas of, inter alia, workforce planning and the Organization's long-term financial sustainability.

69. The **Controller and Director of the Division of Financial and Administrative Management (UNHCR)**, said that one common thread he had noted in the points raised was the need for solid internal controls, which was of key importance to UNHCR. The Organization was addressing its weaknesses through its business transformation programme, looking not just at policies and procedures but also at systems, the largest of which – the cloud-based Enterprise Resource Planning system focused on finance and procurement – would be going live imminently.

70. The aim was to not only increase efficiency of the systems but also improve internal controls. Efficiency could be increased through, for example, the digitization of documentation and processes, thereby realizing economies of scale; one example of that was the online centralization of functions such as bank reconciliations. The gains in terms of internal controls were just as – if not more – important: access to electronic data, combined with the use of algorithms to detect anomalies in large data sets, would make reviews, audits and management controls more systemic and, for example, eliminate the need to travel to country offices to examine paper documentation.

71. Responding to the points raised by the representative of the European Union, he agreed on the key importance of controls. Work on the analysis of root causes was already being done, as would be clear from the audits and recommendations contained in the report by the Office of Internal Oversight Services (OIOS), for example in the area of fuel. He had recently been in Ethiopia looking at the complexities of delivering, maintaining and distributing fuel in complex locations. There was no one-size-fits-all in terms of fuel; while practices diverged, it was necessary to find ways of improving higher-risk areas such as fuel management.

72. Comments on the Multilateral Organization Performance Assessment Network assessment would no doubt be provided subsequently. As regards procurement, as part of the follow-up given to the 17 new recommendations from the Board of Auditors, UNHCR would conduct a review of the thresholds for formal solicitation. Those thresholds entailed a delicate balance between operational efficiency and rapid response to emergency situations. The balance could be improved by having better long-term agreements – frame agreements – that allowed the Organization to quickly react, procure goods and deliver them to emergency situations. In the case of complex procurement – high- value procurement – committees existed at local, regional and headquarter levels, each having a different threshold.

73. The essential thing was to follow the financial regulations and rules on procurement, ensuring best value and controls throughout; constant efforts were made to find the best balance between thresholds – in other words what level to assign to which contract. In any type of procurement, however, it was ensured that the proper checks and controls were in place; it was simply a matter of adjustment.

74. He reassured the representative of Switzerland that a considerable amount of deep analysis had been carried out over the past few years; as the relevant systems were now being rolled out, Member States would be updated more regularly on the benefits that were starting to be seen.

75. He noted that the representatives of Australia, Norway and Nigeria had encouraged UNHCR to follow up on the Board of Auditors' recommendations. As for the questions about the 41 outstanding recommendations, he referred Member States to the matrix provided in the documentation that had been shared online. A number of the outstanding recommendations related to the new systems that would shortly be rolled out, and it was expected that many of them would therefore soon be closed.

76. Responding to the comment by the representative of the Russian Federation, he did not necessarily agree that UNHCR considered its self-assessment to be simply a formality; such self-assessment was taken seriously at all levels. Regarding the internal control framework, he had found the internal control questionnaire (ICQ) to be a very useful tool, for example, it was taken very seriously and was not a formality at all. It was key for UNHCR to look at the internal control framework, including the statement of internal controls, in conjunction with risk management considerations and OIOS and Board of Auditors recommendations. In that way the internal control risks, and perhaps weaknesses, could be considered in a comprehensive manner in the design of new systems and policies.

Consideration would be given to the request by the Russian Federation for a separate briefing on procurement.

77. Responding to the request of the representative of Venezuela (Bolivarian Republic of) for more information on prioritization and planning in the implementation of the Board of Auditor's recommendations, he said that the Secretariat had taken note of that request. Responding to the questions from the representative of Germany he said that internal controls were there for two reasons: to ensure the efficient management of funds and to prevent fraud. As well as greater efficiency in systems and processes, UNHCR was absolutely focused on preventing fraud throughout the Organization and would follow up on the suggestions made, including with regard to inventories.

78. Audits were not simply a burden for UNHCR; they provided valuable independent feedback and helped the Organization to improve. However, in the past 20 years he had never seen such a proliferation of individual donors wishing to audit UNHCR in addition to the other existing audit mechanisms. That led to a deterioration in the single audit principle and in the efficiencies gained by adhering to that principle.

79. Responding to the points raised by the Republic of Korea, he said that evaluation of decentralization and regionalization had been planned and would be completed in 2024. He took note of the comments made about reaching out to Member States.

80. The **Director of External Audit (France)** said that he was not concerned about the outstanding recommendations, which UNHCR was willing to implement. The large number of recommendations made by his predecessor had coincided with the year following the coronavirus disease (COVID-19) pandemic. Great attention would be paid to how UNHCR implemented the newer recommendations made by the current team.

81. With regard to the questions on the diversification of donors and the risks linked to the sustainability of resources in the UNHCR model, those matters would be addressed when auditing the budget processes, needs-based assessment and resources. However, vulnerability in resources had already been identified, since resources would only cover half the existing needs. The second source of vulnerability was the concentration of resources; most resources came from just a few donor countries. More in-depth analysis on that matter would be provided in the subsequent year's report.

82. The key information regarding internal control was to be found in paragraph 121 of the report of the Board of Auditors. Internal control was a work in progress, and was improving every year. Risk management was a matter of addressing risks according to their criticality. In other words, striking a balance between the potential impact of risk and the quality of internal control; the better the internal control the less the need for additional mitigation measures to address risk. Internal control was therefore crucial.

83. The relevant information on thresholds was to be found in paragraphs 259 and 260. He was not convinced that the high threshold level was necessary for UNHCR; for example, the United Nations system used a threshold that was two and a half times lower, which did not prevent it from providing procurement in emergency situations,

including peacekeeping. It was expected that agreement would be reached, however, on implementation of the recommendation.

84. Regarding the burden of audit, his team had tried to avoid over-soliciting UNHCR. The single audit principle was not always respected, however. He had noticed an undesirable trend of donors expressing dissatisfaction with UNHCR's reporting. Instead of asking for greater accountability, their dissatisfaction translated into additional requests for auditing or for earmarking funds, which was not the way forward.

85. The **Deputy High Commissioner (UNHCR)** said that while issues such as integrity; sexual misconduct; witness protection, including protection against retaliation; and protection prior to formal complaints would be covered subsequently, she wished to complement the remarks made by the Controller and Director of the Division of Financial and Administration Management, and by the Director of External Audit.

86. With regard to procurement, the decentralization and regionalization process implied a different way of service delivery, including supply delivery. The recommendations from the Board of Auditors in that regard were being taken very seriously. The new supply strategy and model were intended as an investment in ways to address risk. That included the non-financial components, but also the financial components, of supply delivery.

87. Very active discussion had taken place with the Board of Auditors concerning the thresholds for formal solicitation on the one hand and UNHCR's operating environment on the other; common ground and a way forward were expected to be found.

88. In response to the comments from the representatives of the European Union and Canada concerning the complaints received by the Inspector General's Office, 20% more complaints were expected to be received by the end of 2023 compared to 2022. As for completed investigations, 175 were expected by the end of 2023, compared to the 140 completed in 2022. The figures were similar to those of other comparable agencies of similar size and operational footprint. The Inspector General would provide further information at the Executive Committee session in October 2023, and was of course always available to answer any specific questions.

89. While she had received a preliminary briefing on the results of the Multilateral Organization Performance Assessment Network assessment, the final conclusions were not expected until later in 2023. The preliminary information received, however, indicated that remarkable progress had been made.

90. In response to the comments by the representative of Australia, she said that the 2023–2025 Strategy and Action Plan on tackling sexual exploitation and abuse and sexual harassment had recently been launched, which was rooted in five key principles, including a continued very strong focus on a victim-centred approach, equipping the work force to prevent, mitigate the risks of, and respond to sexual misconduct; engaging with affected communities, non-governmental organization partners and Governments; strengthening accountability mechanisms; and maintaining UNHCR's role as key stakeholder in interagency and United Nations system-wide efforts. Interesting innovations in the system were being considered, including the use of an escrow fund and the #“NotOnlyMe”.

91. Turning to the subject of risk, as part of the process of simplifying and streamlining UNHCR's policy and regulatory framework, the Organization's policies, administrative guidelines and guidance had been consolidated by one third. That work would continue, leading to greater efficiencies, stronger controls and stronger compliance. The very important work done by the Board of Auditors on risk maturity assessment complemented that carried out by OIOS in 2022 on UNHCR's maturity assessment; the results would form the basis of discussion with Member States on risk appetite, with the aim of hopefully reaching a higher level of risk maturity.

92. Turning to the point raised by the Russian Federation, she said that positive risk was about seizing opportunities; in that regard it was useful to consider what the Global Compact on Refugees had done in terms of advancing inclusion and self-reliance, both for the people served by UNHCR and, importantly, their host communities. Similarly, another example of positive risk turned around was the sudden change in UNHCR's delivery systems brought about by COVID-19, involving greater localization and reliance on refugee-led and community-based organizations.

(iii) Report of the Office of Internal Oversight Services on internal audit in the Office of the United Nations High Commissioner for Refugees (A/AC.96/74/7)

93. The **Chief of the Audit Service (OIOS)**, reading a statement on behalf of the Under-Secretary-General for Internal Oversight Services, said that she was pleased to introduce the annual report on internal audit activities undertaken by OIOS in respect of the Office of the United Nations High Commissioner for Refugees for the period 1 July 2022 to 30 June 2023.

94. OIOS provided recommendations aimed at improving governance, risk management and control processes in UNHCR, through a risk-based work planning process that, guided by UNHCR's corporate risk register, identified and assessed key risks to the achievement of the Organization's strategic objectives.

95. The OIOS assurance strategy was based on a three-year rolling plan, reviewed annually, that supported effective internal audit resource planning and provided flexibility to respond to changes in the UNHCR strategic risk environment. The plan for 2022/23 was adjusted to accommodate new audits of UNHCR's response to the Ukraine crisis, UNHCR's progress in implementing the Business Transformation Programme, as well as an advisory audit on UNHCR's controls over the auctioning of vehicles in field operations.

96. OIOS completed 14 audits during the period in question. Two audits involved headquarters, thematic or ICT matters, and 12 related to field operations. Those audits focused on UNHCR's strategic priorities of strengthening protection, improving the quality of life and seeking solutions for forcibly displaced persons. The annual report presented a summary of the results and conclusions of the work of OIOS, which, in addition to examining UNHCR results in the field, covered other areas such as UNHCR transformation, data and digitization, results-based management, enterprise risk management, decentralization and regionalization. The detailed individual audit reports were accessible on the OIOS website.

97. OIOS also completed four advisory reviews examining: the functioning and effectiveness of enterprise risk management; the implementation of the Global Compact on Refugees; data protection and privacy arrangements; and the adequacy and effectiveness of controls in the auctioning of vehicles in field operations.

98. The 12 field audits completed in 2022 meant that, over the past three years, OIOS had conducted audits in a total of 38 countries, including 16 of the 23 country operations rated as highest risk by OIOS and UNHCR. Audits of the remaining seven high-risk operations were planned for 2023 and 2024.

99. The 14 audits contained 92 recommendations, 78 of which were aimed at improvements in field operations. UNHCR accepted all recommendations and had implemented 29 of them by 30 June 2023. Including recommendations issued in earlier years, a total of 111 recommendations remained unimplemented at the end of the period. The regional bureaux were responsible for 82 of those, with the remaining 29 the responsibility of the various Headquarters Divisions.

100. The percentage of recommendations that had passed their due date was still high, at 77 per cent: an increase in both number and percentage since 30 June 2022. OIOS continued to work closely with UNHCR to address open recommendations, focusing special attention on the 13 that were long open or overdue (that is, older than 24 months or that had missed their target date by more than 12 months).

101. OIOS received effective cooperation from UNHCR management and staff during the reporting period, and the Independent Audit and Oversight Committee continued to provide guidance and best practices that helped strengthen OIOS results. OIOS also coordinated its activities with the Inspector General's Office and the Evaluation Service in UNHCR, and with the United Nations Board of Auditors and the Joint Inspection Unit.

102. OIOS had sufficient financial and human resources to implement its programme of work and did not experience any inappropriate interference that might have impeded the independence of the OIOS internal audit function at UNHCR.

103. She expressed her appreciation to UNHCR management and staff for their valuable cooperation in OIOS oversight work, and looked forward to the ensuing dialogue and questions.

104. The representative of **the Kingdom of the Netherlands** said that he was concerned about the longstanding open recommendations, especially those that were also recurrent. He was particularly concerned that part of the gaps in results and controls were also due to non-compliance with policies and procedures, as well as inadequate support and oversight. More structural informal discussions should take place on those issues with both UNHCR and OIOS, accompanied by close scrutiny of the implementation rate of key recommendations.

105. It showed that not less, but more, OIOS was needed, and the decrease of the OIOS budget was therefore a matter of concern. He called upon UNHCR to keep OIOS funding up to par with its workload, and commensurate with the dollar value of its operations.

106. The representative of **the Russian Federation** queried why the OIOS report had not been made available on the Standing Committee's website, as it had been in 2022. The report was only available on the Executive Committee website.

107. The representative of the **United Kingdom of Great Britain and Northern Ireland**, noting that her statement would cover items 2 (a) (iii) and (iv) together, expressed appreciation for the informative reports provided by OIOS and the Independent Audit and Oversight Committee. With regard to the OIOS report, while she recognized the resource and environmental constraints within which UNHCR was working, the indication by OIOS that a number of the performance gaps identified were due to other root causes was noteworthy.

108. She expressed concern about the rate at which recommendations were being implemented and the backlog of recommendations from previous years, which continued to grow, as well as the fact that previously closed recommendations were being reissued. She therefore strongly recommended UNHCR to consider how those root causes could be addressed and the trend in the delayed implementation of recommendations reversed.

109. She acknowledged the significant progress made in a number of business transformation areas, especially the roll-out of the results-based management system, the multi-year strategic planning and the five-year risk management strategy, including continued advancement towards advanced risk maturity.

110. Turning to the report by the Independent Audit and Oversight Committee, she took particular note of the encouragement to UNHCR to take advantage of opportunities to further strengthen accountability, internal controls, and anti-fraud measures, and would welcome any more information UNHCR could share on its response.

111. She had been particularly interested in the points made in the report on the need to continue efforts to support and enhance the witness protection system, and the expectation of further progress on measures to strengthen the prevention of fraud and misconduct. She would welcome an update on the progress made in tackling those important issues.

112. The representative of the **United States of America**, welcoming the Office of Internal Oversight Services (OIOS) report and 18 audit and advisory engagements during the reporting period, expressed concern at the OIOS view that half of the root causes for recommendations issued during the reporting period – 46 of 92 – were due to inadequate planning of activities or staff non-compliance with UNHCR policies and procedures. She urged UNHCR to make improvements in both areas, asking what steps management had taken so far, and further encouraged UNHCR to improve its implementation of audit recommendations by the target date.

113. Her Government appreciated the advisory engagement undertaken by OIOS to assess UNHCR's support for the implementation of the Global Compact on Refugees, which was particularly timely ahead of the Global Refugee Forum. Clearly, more could and must be done to leverage different partners' expertise to support refugee inclusion efforts and responsibly transition from the provision of assistance to seeking sustainable solutions and supporting displaced persons to become self-reliant where the context allowed.

114. Regarding the challenges faced by field operations with the rollout of new tools, particularly the comprehensive operational mission procurement and acquisition support service (COMPASS), her Government was optimistic that, while the transition would take time, COMPASS would improve strategic planning and results monitoring, and ultimately outcomes, for displaced persons. She acknowledged the challenges that severe underfunding created for UNHCR's planning and prioritization, reiterating calls for Member States to increase contributions to UNHCR urgently.

115. The **Chief of the UNHCR Auditing Service (OIOS)** said that regarding the concern expressed by the representative of the Netherlands about the long-standing and recurrent OIOS audit recommendations, her Office was actively engaging with UNHCR to identify whether the recommendations were still valid, and if so what further actions could be taken or what support was required.

116. For the comment made by the representative of the United Kingdom, she said that UNHCR had been proactively addressing the repeated recommendations by means of including the ongoing transformation agenda. Planning of future audits would ensure that the root causes of those repeated issues were being adequately addressed through the reform, and so should be better addressed over time. Increased thematic audits were another strategy, which would examine policies and policy monitoring to ensure implementation to address non-compliance or bring it to the attention of management, and so avoid repeated recommendations. Some such repeated recommendations' reoccurrence over several countries rather than just one reflected a need to revisit the policy. Increased thematic audits were thus being used to identify areas to be addressed in policies as well as their implementation.

117. The **Controller and Director of the Division of Financial and Administrative Management (UNHCR)** recalled that for 2021, the discussion had been about the 29 per cent implementation rate, which had been agreed not to be acceptable and had not been in line with previous years, such as 54 per cent for 2020. With time and effort, that rate had returned to 52 per cent for 2022, which was still unsatisfactory. Some areas remained behind, and the number of outstanding recommendations continued to grow. His Division hoped that the launch of the business transformation programme and a number of systems would allow some of those issues to be addressed, though others would remain. In terms of recurrent topics reflected in individual country reports and the business transformation programme, he stressed that his Division was examining the root causes through areas such as partnership management and procurement by focusing on systems, processes and policies. He hoped for further improvement in those figures for 2023 as the benefits of the transformative investments made began to appear.

118. Noting that non-compliance continued to be an issue as mentioned in the report, he turned to the representative of the United States of America's comment asking what could be done: one key approach to be taken or improved on was

monitoring where there was data. Certain recommendations had timeliness of actions, follow-up and so on; there were country financial reports and various tools that were being improved on. Other instances of non-compliance were harder to measure, but there was nevertheless a focus on doing so. Having regional controllers in place in recent years had been a great help in focusing on risk- and audit-related issues and following up by allowing regional patterns to be identified and then addressed on the same scale, which had not previously been possible. The delegate of the United States had also mentioned leveraging partners in COMPASS. He highlighted that COMPASS was the first system – its benefits could already be observed – and would be followed by the Cloud enterprise resource planning (ERP) system and the population registration and identity management ecosystem (PRIMES) to support partner management. Those complementary systems should together begin to produce greater benefits and so help UNHCR leverage partners more efficiently.

119. The **Deputy High Commissioner (UNHCR)**, returning to the issue of root causes of non-compliance, which OIOS and UNHCR as a whole saw in abundance and were trying to address, said that while the business transformation programme, decentralization and regionalization would not be a panacea for those issues, they would go a long way towards rectifying them. Mention had been made of enhancements, simplification and changes under way to policy frameworks and policy documents meaning that, in particular for major policy documents, there was a specific accountability framework in place so that colleagues knew exactly what compliance was required of them. UNHCR could and was endeavouring to do better as an organization. In that regard, the creation in 2017 of the Strategic Oversight Service within the Inspector General’s office had greatly helped to identify not just root causes and trendlines accompanying what OIOS had just mentioned, but also helping operations and bureaux to act earlier and so avoid a formal OIOS audit or advisory. It was a process with several stages and there were likely significant improvements to come, including on planning and issues relating to programme analysis, again involving COMPASS.

120. The budget was always a topic of active discussion within the Organization – all the more so when resources were decreasing quite dramatically. What had been embarked with OIOS was to ensure that the sorts of comprehensive reductions requested would not necessarily affect the operational delivery necessary for OIOS, while also not protecting that Office from those reductions. Investigation and active conversation with the head of the Office had taken place to ensure that vacancies or previously unused capacity were subject to reductions first. That discussion would continue and ensure that OIOS provided the kind of service needed to make a stronger Organization.

(iv) **Report of the Independent Audit and Oversight Committee (EC/74/SC/CRP.19)**

121. The **Chairperson of the Independent Audit and Oversight Committee**, presenting the annual report of the Independent Audit and Oversight Committee for the period from July 2022 to June 2023, said that it was clear that UNHCR was operating in a difficult environment. With a record number of forcibly displaced people exceeding 108 million, the Organization was under pressure to deliver, often in difficult circumstances given the challenging geopolitical situation, while facing increased needs, higher earmarking levels and rising inflation. The Committee consisted of five independent experts and had a specific place in the UNHCR landscape, with its mandate to advise the High Commissioner and the Executive Committee. While the Committee did not undertake assurance work or any executive role, during three sessions over the period it had met with key interlocutors to assess assurance done by external oversight providers, independent internal oversight providers and management, including briefings with the High Commissioner, the Deputy High Commissioner and the Executive Committee Bureau.

122. An ambitious transformational process was taking place within UNHCR, encompassing organizational restructuring and the business transformational

programme as well as upgrading operational informational systems and processes. The Committee had encouraged UNHCR to maximize opportunities within the programme to strengthen internal controls and improve management oversight. It had and would continue to closely follow those initiatives to monitor functionality and impact. Even following the implementation of the ERP, there would be a short session in September 2023.

123. Regarding some of specific oversight providers, the Committee commended UNHCR for the completion of the 2022 financial statements, noting the transition to a new Board of Auditors team, which had issued an unqualified audit opinion, providing a level of assurance that UNHCR financial statements and underlying management oversight systems and controls were in place to ensure accountability. The Committee noted the Board's observation that for the in-depth thematic area of risk management, UNHCR had reached a high level of maturity with room for improvement remaining and that there were several concerns and shortcomings in the area of procurement, which was one of the two areas investigated in depth for the period as selected by the Board.

124. Turning to internal independent oversight providers, the Committee was pleased to note active oversight coordination taking place in terms of planning, output and following up entities. That was an important third line of assurance and learning efficiently and effectively. Regarding investigations, the Committee noted the number of complaints received continued to increase, which could be interpreted as a sign of increased trust, as noted by most delegates. However, investigations in some areas could have been hampered because key witnesses were unable or unwilling to provide testimonial evidence due to safety concerns. While acknowledging that it was a broader issue among United Nations agencies, the Committee encouraged UNHCR to improve safeguards and processes to the extent possible.

125. With regard to the provision of internal audit services, the Committee had been monitoring ongoing efforts between UNHCR and OIOS to formalize internal audit arrangements. Although the Committee encouraged consensus on those arrangements, it advised that eventually the charter should be issued by the High Commissioner with separate memorandums of understanding signed by both UNHCR and OIOS. In terms of management oversight, she highlighted the Committee's concern about the gap between the funding needs and the funding received, acknowledging efforts by UNHCR to strengthen, diversify and expand the donor base; the utmost importance of high-quality data for management, decision-making and result-based management, which also affected strategic analysis and workforce planning; and the issue of technology-related and cybersecurity risks for all large organizations, as some delegates had also highlighted, on which the Committee would continue to liaise with UNHCR management.

126. Finally, the Committee had observed that continued audit-like interventions by individual donors would duplicate efforts and costs, emphasizing the central assurance provided by internal and external auditors of UNHCR, which had also been recognized. Over the next period, the Committee intended to continue to monitor and focus on the business transformation programme and its impact on functionality, the review of the UNHCR accountability framework as a whole and as a component of the change agenda as rolled out, modernized internal audit arrangements between UNHCR and OIOS, and the impact of current funding patterns and constraints, coupled with the process of adjusting plans, budgets and priorities.

127. The Committee was grateful for the opportunity to meet with the Executive Committee Bureau in a dedicated meeting and for the collaboration extended by UNHCR senior management during the period. It looked forward to continuing to work with both the Executive Committee and UNHCR. In closing, she expressed condolences for those who had lost their lives in Morocco and Libya.

128. The representative of **the Russian Federation** asked what level of maturity had been reached in the UNHCR risk management system and its internal monitoring system, what concrete steps should be taken to improve those systems, and whether

the Committee considered UNHCR's incomplete adoption of the International Public Sector Accounting Standards (IPSOS) to be an issue. His Government would appreciate the Committee's future inclusion in its report of topics such as the level of development of UNHCR's various advisory bodies and potential ways to improve those indicators. In his Government's experience, equivalent bodies to the Committee at other United Nations organizations had a permanent agenda item on that topic. His Government would further welcome the Committee's conclusions on UNHCR procurement procedures, their effectiveness and potential weaknesses. He recalled that the external auditor's most recent report had devoted considerable attention to that issue, and so his Government wished to hear the Committee's opinion on the matter. Moreover, UNHCR's comments on the Committee's recommendations would be welcome. What measures were intended in response to them?

129. The representative of the **Republic of Korea** said that while his Government was generally in agreement with the report, it had some reservations and questions regarding paragraphs 32, 33 and 46. With paragraphs 32 and 33, the report stated that headquarters costs should be reduced as appropriate and that the benefits of decentralization were expected to be greater than its side-effects. However, as comprehensive evaluation of the impacts of decentralization was not yet complete, the Committee's advice seemed premature. Furthermore, despite all the benefits stated in paragraph 33, including proximity to field operations, his Government still had significant concerns that decentralization might not make progress on results management and quality of reporting. He cited the case of a delegation recently expressing its dissatisfaction regarding an annual report for certain projects that the Government of the Republic of Korea had supported in the form of multi-year funding. Next, according to paragraph 46, the Committee had conducted a stakeholder survey by requesting the opinions of UNHCR senior management. Could that survey negatively affect the Committee's independence?

130. The representative of the **United States of America** expressed agreement with the Committee's assessment that UNHCR was actively engaged in mitigating the risk inherent in delivering on its core mandate while at the same time, significant organizational restructuring and changes to processes and systems created their own set of risks. She agreed that the Committee should remain focused on those changes as they were fully rolled out. Her Government appreciated the Committee's efforts to understand how the decentralization process was evolving and noted the observation that some aspects of the second line oversight role of the regional bureaux were not clear in practice. She reminded the Committee that her Government stood strongly in favour of UNHCR's decentralization: continued care and evaluation must be applied to its implementation. She noted that the Committee had again encouraged UNHCR to fully realize opportunities for enhanced internal controls, fraud prevention and detection, and management information and oversight systems. Improvements in those areas were critically important. She also noted with concern the observation that incidents of workplace retaliation had risen – a well-functioning, accountable organization must protect individuals who raised concerns. The report also noted UNHCR's continued dependency on a limited number of donor countries, with the top three donors provided 43 per cent of UNHCR's funding in the reporting period. As one of those three, the Government of the United States implored all donors to examine their ability to increase their share of support to that crucial humanitarian organization. Finally, she hoped that private sector contributions would continue to grow to diversify UNHCR's donor base.

131. The **Chairperson of the Independent Audit and Oversight Committee** said that regarding the representative of the Russian Federation's question about the level of maturity of risk analysis, it was a very detailed process carried out by experts and externally evaluated, both by OIOS as well as reviewed by the Board of Auditors. The Committee had also reviewed the whole process. In general, they had highlighted that the fundamentals were in place and UNHCR was very well positioned among United Nations organizations as far as risk was concerned, as had been recognized and supported by donors. The areas of improvement were on the opportunity side, as had also been highlighted by management. Looking at the needs assessment of the budget,

there had been a significant drop in the implementation rate, but from another angle that attested the previous high rate and had been an opportunity: the restructuring, regionalization and decentralization would otherwise not have happened if the internal control framework had not existed at that level. Turning to the governance of IPSOS of other United Nations organizations, she noted that while sitting on various United Nations oversight committees she had seen that each United Nations organization worked in a slightly different manner, and so could not be compared directly, but they were nonetheless able to meet and share best practices.

132. In response to the representative of the Republic of Korea regarding the survey, she said that while she agreed that the Committee should try to maintain its independence, it did so by making its decisions independently, uninfluenced by any decision maker. But in order to serve stakeholders and provide them with the right feedback and understand what the key issues and business requirements were, stakeholder analysis was one of the best practices. That had been discussed and was the practice among the various independent audit and oversight committees in the United Nations system.
