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

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**Standing Committee
Ninety-fourth meeting**

**Annual report of the Independent Audit and Oversight
Committee for 2024-2025****I. Introduction**

1. The Independent Audit and Oversight Committee (hereafter “the Committee”), comprises five members, serving as independent experts in an advisory capacity to assist the High Commissioner and Executive Committee in exercising their oversight responsibilities. The Committee’s work is guided by its terms of reference.¹
2. The Committee met in three formal sessions in the past year, with the agenda for each session based on a workplan that included review of the workplans and reports of external oversight bodies, independent internal oversight bodies, other independent entities and entities responsible for management oversight (as per section II below). The Committee also met with the High Commissioner, the Deputy High Commissioner or both during each session for discussions and briefings on ongoing developments in UNHCR.
3. The Committee’s oversight and advisory activities were carried out free from interference, and there were no circumstances (real or perceived) of impairment of its independence.
4. The Committee appreciates the full support and cooperation received from UNHCR management and staff during the reporting period.

II. Key conclusions and observations**A. General**

5. The reporting period saw significant disruption at UNHCR as it adapted to a challenging political and funding environment. Annual revenue projections for 2025 are significantly lower than for 2024, with further reductions expected for 2026. In response, UNHCR undertook a restructuring exercise involving significant reductions in staff, operations and partnerships. Though management has sought to protect organizational capacity to deliver on the mandate to the extent possible, the rapidity, scale and scope of the downsizing carry inevitable negative impacts within the organization and on those it serves and works with, while residual risks remain acute.
6. The financial situation remains challenging, with risks related to short-term liquidity and balancing the budget for 2025. As the situation unfolds, the Committee has felt reassured that senior management are monitoring the situation closely, undertaking scenario planning and preparing contingency measures.
7. On second-line management, the Committee notes the organization-wide downsizing placed significant strain on management oversight capacity and structures, including internal controls, in an environment of increased risk. It has noted with satisfaction the development of a fraud risk assessment tool tailored to the downsizing context and proposed initiatives,

including consolidating transaction processing in a global shared services centre and implementing automated controls, both of which can enhance the efficiency and effectiveness of internal control frameworks.

8. The Committee notes the importance of timely and accurate data to management oversight and decision-making, as well as reporting, and urges UNHCR to fully implement systems including to provide integrated, accurate and timely management information.

9. The Committee acknowledges the impact of budget cuts on third-line internal independent entities, while also recognizing that measures have been overall lighter compared to those applied across first and second-line management. The Committee appreciates recognition of the importance of maintaining the capacity of these functions in a high-risk environment and encourages third-line entities to continue adapting and seeking efficiencies with management counterparts.

10. Nevertheless, the Committee remained mindful of the disproportionate impact that budget cuts may have on staff capacity of these relatively small entities, noting that the structural reduction of senior level grades across headquarters and regional bureaux also affected third-line entities. The Committee will continue to monitor the capacity and effectiveness of third-line entities to respond to challenges arising from the evolving operational environment. Finally, while several independent entities briefed the Committee on their efforts to ensure continued delivery on their mandates, there may be benefit in looking at the entities more cohesively, particularly integrity and other internal justice system entities.

11. The Committee notes the likely continuation of reduced funding, coupled with an increasing proportion of earmarking, and supports steps to review and revise the organization's operational and funding model, also acknowledging the associated risks and opportunities.

12. The Committee urges UNHCR management to prioritize the effective and timely closure of oversight recommendations, noting that delays represent unaddressed issues and risks.

B. External oversight

United Nations Board of Auditors

13. The Committee discussed with the external auditors, the *Cour des comptes* of France, the progress of the 2024 audit and matters arising, and the audit workplan for the 2025 financial statements. The Committee noted the quality of the Board's work and appreciated the good coordination among oversight providers within UNHCR.

14. The Committee:

(a) Acknowledged that the Board issued an unqualified audit opinion on the 2024 UNHCR financial statements.

(b) Noted the additional information and key findings in the Board's report, including thematic reviews on inter-agency coordination, crisis management and the business transformation programme.

C. Independent internal oversight

1. Inspector General's Office

15. The Committee received briefings on issues, trends and priorities including oversight and advice to management on measures to respond to the funding crisis, the impact of measures on the Inspector General's Office and actions taken in response.

16. Regarding investigations, the Inspector General advised of a slight reduction in complaint numbers in 2025 to date, compared to 2023 and 2024.

17. The Committee noted that while third-line assurance coverage across UNHCR's risk framework appears adequate for 2025, it will continue to monitor coverage and the impact of funding constraints.

2. Internal audit

18. The Committee received updates from the Office of Internal Oversight Services (OIOS) on the workplan status, audit outcomes and recommendation implementation rates. The Committee will continue to monitor management follow-up including on critical recommendations.

19. Progress on the review of internal audit arrangements and the impact of funding reductions was discussed, including organizational priorities such as the restructuring and related effect on the risk profile.

20. The Committee was briefed on the impact of budget cuts on internal audit capacity and mitigation measures. Nevertheless, OIOS indicated that risk assurance levels were under review due to capacity constraints.

21. The Committee:

(a) Urged OIOS to consider additional efficiency measures to maintain appropriate internal audit coverage in response to the impact of budget constraints.

(b) Noted again with concern the lack of progress on the review of internal audit arrangements as an opportunity to enhance efficiency and effectiveness, and urged that this matter be prioritized.

(c) Noting a rapidly changing organizational structure and risk profile, encouraged OIOS to continue to review and consult with management on how to support UNHCR with timely and relevant advice, and update its workplan accordingly.

(d) Appreciated the introduction of a more effective classification of audit recommendations to enable management to better prioritize implementation.

3. Evaluation

22. The Committee received briefings on the Evaluation Office's priorities and plans, including supporting the response to the financial situation, and how the Evaluation Office is adapting to budget cuts and repositioning to continue supporting UNHCR.

23. The Evaluation Office highlighted the importance of adequate monitoring and evaluation capacity, and a fully functioning results-based management system based on high-quality data, as the basis for organizational learning and reporting.

24. The Committee noted that the evaluation function was comparatively smaller than that of peer agencies and encouraged exploration of a more adequate funding model.

25. The Committee noted the lack of an established system to track management responses and implementation of recommendations.

26. The Committee:

(a) Encouraged the Evaluation Office to further explore cost efficiencies and diverse funding opportunities.

(b) Advised management to more effectively track and respond to evaluation recommendations.

4. Office of the Ombudsperson and Mediator

27. The Committee was briefed by the Ombudsperson on the work of the office, current workplace trends and the negative impact of budget cuts.

28. The Ombudsperson reported on the current priorities, including the response to increased demand for support from staff affected by downsizing, and highlighted the importance of recovery and the rebuilding of staff engagement.

5. Ethics

29. The Committee was briefed by the Ethics Office on its work, noting increased contact from staff raising concerns about the downsizing process.

30. On the realignment of the Ethics Office, the Director identified measures to reduce costs and prioritize targeted activities, for example by in-housing the financial disclosure programme. However, some activities may be scaled back or ceased.

31. The Director raised concerns about the impact of the restructuring of relevant entities on the capacity of the broader UNHCR internal justice system to respond to complaints.

32. The Committee:

(a) Noted the importance of taking a holistic view of an appropriately structured and capacitated internal UNHCR justice system to cover the Ombudsperson, Ethics, Investigations, human resources and legal affairs to the extent possible post-realignment.

(b) Endorsed the proposal to in-house the financial disclosure programme.

D. Management oversight

1. Financial management and administration

33. The Committee was briefed by the Controller on the preparation of the 2024 financial statements and implementation of recommendations made by the Board of Auditors.

34. The Committee appreciated ongoing efforts to ensure cash liquidity to cover short-term commitments through 2025 and balance annual expenditure with expected revenue. The Committee noted that risks related to liquidity and over-expenditure remain acute. The Controller advised that the status of cash and budget figures be continuously monitored.

35. Concerns related to downsizing resulting in weakened internal controls and increased risks, including of fraud, were discussed. Proposed measures to strengthen controls include centralizing financial transaction processing and developing additional automated controls and management data in business systems. The Committee noted that, to be effective, such measures require the allocation of sufficient financial and human resources.

36. The Committee:

(a) Acknowledged with appreciation the issuance of the 2024 financial statements.

(b) Noted with concern the negative impact of reducing revenues on reserves and liquidity and, most importantly, the effect on operations.

(c) Appreciated the close monitoring of cash and budget figures and encouraged UNHCR to continue scenario planning and the preparation of contingency measures in case of a worsening funding situation.

(d) Encouraged UNHCR to fully explore innovations in systems and processes to drive further efficiencies and enhancements to oversight and internal control frameworks.

(e) Noting heightened risks around internal controls and fraud, and urged the Controller to discuss with OIOS whether the internal audit workplan and its scope could be adapted, as appropriate.

2. Design and Development Service (incorporating Enterprise Risk Management)

37. The Service, established in January 2025, serves as a key change management focal point, collaborating with relevant functions to develop the response to funding reductions. It briefed on the downsizing process and plan, and related risks and innovations, including potential new funding models.

38. The Committee was pleased to be informed about the development of a fraud risk assessment tool tailored to the downsizing process. It recognized the relatively mature level

of risk management in UNHCR, noting that this constitutes an important resource as the organization adapts to an uncertain political and funding environment.

39. The Committee was informed that budget cuts will result in a reduction of risk positions globally, with a future focus on embedding progress to date and maintaining strategic risk management capacity.

40. The Committee encouraged UNHCR to:

(a) Explore options to revise the organization's profile and footprint, including considering capacities and opportunities offered by sister agencies and stakeholder groups.

(b) Continue to apply and develop risk management thinking, including the adoption of a risk appetite approach.

3. External relations, including fundraising

41. The Committee was briefed by the Division of External Relations on funding trends pointing to reduced and more tightly earmarked revenue, as well as fundraising efforts.

4. Human resources

42. The Committee was briefed on the Division of Human Resources' management of the impact of restructuring on the workforce. The Committee acknowledged that workforce cuts were inevitable and was conscious of the impact on those affected.

43. Discussions focused on risks and challenges associated with the loss of human capacity; experience and skills; and the importance of proactively managing workforce structure in the future.

44. The Committee:

(a) Noted the complexities in the workforce reduction process and the importance of staff well-being considerations.

(b) Encouraged UNHCR to consider strategic workforce implications in the design of changes to the funding and operational model.

5. Strategic planning

45. The Committee was briefed by the Division of Strategic Planning and Results on the review and reduction of the 2025 annual budget.

46. The Committee was briefed on the outcome of the OIOS audit on the results-based management system, COMPASS, noting that management had initiated a project to address issues related to data quality and the integration of components of the business transformation programme.

47. The Committee:

(a) Encouraged UNHCR to continue improving results-based management systems and processes, including data quality.

III. Other matters

48. The Committee expressed sincere appreciation to the Executive Committee Bureau for a constructive exchange during its recent annual meeting.

49. The Committee appreciated the recognition extended by the High Commissioner to Bushra Malik, a member who completes her tenure in September 2025.

¹ See EC/73/SC/CRP.16, available from: <https://www.unhcr.org/media/revision-terms-reference-and-criteria-membership-independent-audit-and-oversight-committee-ec>.