

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2009 REPORT ON 2008 ACCOUNTS / UNHCR update as at January 2010

UN Board of Auditors' recommendations		Status + Estimated time for completion	Actions taken or intended to be taken and/or recent update
Main Recommendations			
09 (a)	Comply with the provisions concerning the cancellation of unliquidated obligations and reinforce its mechanisms for controlling the validity of obligations (para. 37); Financial Control Section (FCS)	June 2010 2007 – 8 (A)	Out of the USD 120.5 million unliquidated obligations (ULOs) recorded in the 2008 accounts, as of 8 January 2010, USD 8.3 million remain and cancellations amount to USD 5.0 million or 4.2%. This indicates that, so far, 89% were legitimate, valid obligations. The remaining ULOs will be reviewed and liquidated if no longer required. Cancellations of obligations will be tested to determine the reasons why these cancellations took place. During the 2009 year-end accounts closure process, the validity of obligations will be more thoroughly scrutinized by taking a larger sample of ULOs for review. Update of Jan. 2010
09 (b)	Set up specific funding for its accrued end-of-service and post-retirement liabilities, notably those related to after-service benefits (para. 61); Financial Control Section	Funding proposal June 2010 2007 – 08 (B)	UNHCR will submit a funding proposal to the Standing Committee in June 2010, for application in the budget of the next biennium, taking into account the Report of the Secretary-General on Liabilities and proposed funding for after-service health insurance benefits (A/64/366 dated 18 October 2009) and the ACABQ report on the same subject (A/64/7/add.4 dated 28 October 2009). Update of Jan. 2010
09 (c)	Ensure that contributions received are subject to timely accounting processing by clearing the suspense accounts (para 66); Financial Control Section	February 2010 2007 – para 57	To improve the timeliness of information and to minimize errors when recording contributions in the accounts, the update process to record contributions in the accounts is now being run more frequently and additional controls have been put in place to ensure data integrity. In August 2009, a new procedure and related system changes were introduced to enable the recording of unidentified donations in the Accounts Receivable module instead of through suspense accounts. As a result, the balances in the contributions transit accounts have been reduced. The Financial Control Section (FCS) continues its efforts to trace the origin of unidentified deposits and aims to reduce the amounts in the contributions suspense accounts to zero by the year-end closure of 2009 accounts. Update of Jan. 2010
09 (d)	Approve a revised plan for transition to IPSAS, accompanied by a budget revised to include the cost of modernizing the software (para. 80); Financial Control Section and IPSAS Team	year end 2011	A revised International Public Sector Accounting Standards (IPSAS) transition strategy was approved by the Business Owners Committee on 9 October 2009. This revision moves the previously planned January 2010 implementation date for Property Plant Equipment (PPE) and Inventory to July 2010. The remaining IPSAS standards will be completed by the end of 2011. A detailed revised project plan and accompanying budget has already been submitted and is waiting approval by the Steering Committee and Budget Committee. Update of Jan. 2010
09 (e)	In preparing for the implementation of the IPSAS, review the control deficiencies identified in the recording of non-expendable property in the preparation for the IPSAS implementation (para 91); SMS - Asset Management Unit	July 2010	During the course of IPSAS implementation, non-expendable property has been one of the main priorities alongside implementing the IPSAS standards themselves. To this end we have revised all asset management (AM) process maps and incorporated into all AM Business Requirements steps to avoid control deficiencies in the management, recording and monitoring of PPE. The Supply Management Service (SMS) believes that we have succeeded in this endeavour and that with the implementation of IPSAS in UNHCR's financial system (MSRP) we will have eliminated all system related deficiencies. Chapter 8 of the UNHCR manual will be revised during 2010 and all new processes will be incorporated, with the aim of closing all process related

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2009 REPORT ON 2008 ACCOUNTS / UNHCR update as at January 2010

			deficiencies. Update of Jan. 2010
09 (f)	Continue its efforts to clean up its database for non-expendable property and establish a monitoring system for tracing all corrections made in the database during a financial year (para. 96); Asset Management Unit - SMS	IPSAS requirements completed July 2010 2007 – 08 (e) 2006 – 09 (o)	The discrepancies noted in asset recording are due to the fact that there are no automatic links between financial transactions and events in the Asset Management Module of the EPR (PeopleSoft). During the process of 'cleaning' the database, corrections are made to the data and these corrections do not create accounting entries. After IPSAS implementation, all corrections will create accounting transactions that can be tracked. Due to delays created by the introduction of the new budget structure on the go live date of IPSAS asset management requirements, the application of solutions will be moved forward to 1 July 2010. All other activities will continue in order to enable the correct presentation of UNHCR assets in relation to the 2010 accounts. Update of Jan. 2010
09 (g)	Disclose in future financial statements the value of expendable property unused at the end of the year, in order to provide a more complete and accurate account of its assets (para. 106); SMS - Financial Control Section	July 2010 2007 – 08 (f)	The database cleanup is continuing; UNHCR was able to create opening balances for 98% of all warehouses and managed to have 67% of the warehouses use the MSRP system regularly by the end of 2009. In addition, a verification exercise has been finalized to establish the opening balance for 2010, whereby all Representatives have been asked to verify all inventory and return a signed report to SMS by 15 January 2010. After this report has been consolidated with the status report of MSRP at end 2009, we estimate that we will further be able to increase the percentage of regular compliance in the inventory clean-up. The target remains to be as close to 100% compliance as possible. A system for tracking changes in MSRP will be achieved when IPSAS is implemented on 1 July 2010 and financial transactions are "turned-on" in MSRP. Update of Jan. 2010
09 (h)	Continue its effort to reduce the number of staff in between assignments and not on temporary duty (para 116); DHRM	Year end 2010 2007 – 08(h)	Although progress has been made in addressing the issue of staff in between assignments (SIBAs), it is a systemic problem created on the one hand by the high percentage of indefinite contracts at senior grades in the organization, and on the other hand by the reduced number of positions available at senior levels. The numbers fluctuate and are higher in January and July, immediately after the end of Standard Assignment Lengths (SALs), and then they gradually diminish once staff members are appointed to new positions in or once they find a temporary position. The Career Management Support Section (CMSS) is reviewing one by one all cases of long term staff in between assignments in an attempt to find an agreeable solution to each. This includes early retirement, voluntary separation packages, secondment opportunities and reimbursable loans to other UN offices, special leave without pay (SLWOP), etc. Moreover, CMSS is doing its utmost to ensure that colleagues in between assignments can get temporary assignments as soon as possible. Update of Jan. 2010
09 (i)	Continue its efforts to improve the rate of timely justification of the advances granted to implementing partners (para. 123); Financial Control Section	July 2010 2007 – 08(i)	Throughout 2009, weekly reports were produced and sent to Field Offices, reminding them of the importance of timely clearance of advances granted to implementing partners. As at 18 January 2010, for 2008 projects there was an outstanding balance of USD 4 million or 0.7% of total installments paid to implementing partners during 2008. This balance will be further reduced during the 2009 year end closure process. Due to time and resource constraints, the balance cannot be totally cleared, therefore it is expected that only a very small amount, not exceeding USD 1.0 million, will remain outstanding by end June 2010. Update of Jan. 2010
09 (j)	Assess the instalments to implementing partners that have remained unjustified for more than one year and take	July 2010	For the 2007 project agreements, the outstanding balance as at February 2009 stood at USD 2.9 million. Follow-up resulted in further reducing the balance to USD 1.7 million as at 3 August 2009.

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2009 REPORT ON 2008 ACCOUNTS / UNHCR update as at January 2010

	<p>appropriate measures to have them justified or recovered from the implementing partners (para. 127);</p> <p>Financial Control Section</p>		<p>The outstanding balance as of 18 January 2010 stood at USD 1.0 million. Efforts to recover amounts continue and a thorough review of the remaining outstanding installment balances for the years 2004, 2005, 2006 and 2007 to determine whether these are recoverable (in full or in part), is also being undertaken during the year end accounts closure process. So far an amount of USD 1.1 million has been reconciled from the receivables outstanding from implementing partners for 2004 to 2006. Recommendations for write-off will be initiated for those that are deemed unrecoverable.</p> <p>Update of Jan. 2010</p>
<p>09 (k)</p>	<p>Intensify its efforts to obtain the audit certificates from implementing partners by 30 April each year (para.132);</p> <p>Financial Control Section</p>	<p>Ongoing</p> <p>2007 – 08(j) 2006 – 9(k)+ 9(j)</p>	<p>1. UNHCR continues efforts to improve compliance on implementing partner (IP) audit certification. As at 18 January 2010, the compliance rates were:</p> <p>(a) For 2007 projects without exceptions (extensions and waivers) 99%; with exceptions, the rate is 100%</p> <p>(b) For 2008 projects without exceptions (extensions and waivers) 98%; with exceptions, the rate is 99%</p> <p>2. UNHCR has strengthened its monitoring of the process of selecting external auditors to audit 2009 projects implemented by UNHCR partners. All offices have now selected their audit firms. Depending on UNHCR's operational environment and constraints, UNHCR expects to reach a higher compliance rate by June 2010 for the 2009 projects, compared to previous years. UNHCR is reviewing the current policy on implementing partner (IP) audit requirements as part of a broader review of IP management. A staff member has been identified to review the policies and procedures which will include:</p> <p>i) Researching the practices of other UN Agencies who use implementing partners and their approach to audits and audit certificate reporting requirements, including: document the level of compliance achieved by those agencies for benchmarking purposes; identify techniques used to achieve good compliance and introduce them to UNHCR if feasible; cooperate to share independent auditors where this is feasible;</p> <p>ii) Assessing the current practice of relying on audits by the Auditors General of Government departments and the timeframes by which audit reports can be reasonably expected;</p> <p>iii) Examining ways to streamline and automate the collection of information on audit reports and audit qualifications. At present, the collection and reporting of this information is an intensely manual process that is time consuming and subject to risk of delay and risk of errors; and</p> <p>iv) Examining ways to improve reporting to management on non-compliance so as to accelerate resolution of the problem;</p> <p>3. Ensure that the draft Global Management Accountability Framework, recently published on the UNHCR intranet outlining accountabilities, responsibilities and authorities at the Country Office, Regional Office and Headquarters' levels are understood by all staff and managers, and are ultimately translated into personal performance goals that are measured and assessed.</p> <p>4. Ensure that staff appointed to representational positions, understand their responsibilities to manage programme implementation risks, including the audit certification process, and that they will be held accountable. UNHCR established a Global Learning Centre in Budapest in 2009 to ensure that coordinated and targeted training reaches all staff, helping them to meet their current responsibilities as well as aiding them in career planning. A training course for representational staff is currently under design and is expected to be piloted early in 2010. Managing implementing partners and financial risks will be key components of the training course. Additional courses in operations management, financial management and understanding the audit function in UNHCR are also being redesigned, taking advantage of computer-based training technology which will provide UNHCR staff worldwide with wider access to training.</p>

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2009 REPORT ON 2008 ACCOUNTS / UNHCR update as at January 2010

			<p>5. Continue to deliver targeted financial management training courses to key operations into 2010, focusing on managing implementing partners and related financial risks. The training includes the audit certification process.</p> <p>6. Make use of opportunities, where appropriate, for UNHCR Representatives to use external audit firms already identified by other UN agencies through a local tendering process.</p> <p>7. Issue standard terms of reference in preparation for the audit of the 2009 financial accounts for the engagement of local audit firms to ensure consistency in approach and expected results from the audit certification process across operations (N.B. these terms of reference were issued in November 2009).</p> <p>8. Reiterate to Representatives their accountability towards the audit certification process and pursue with the Legal Affairs Section and the Department of Human Resources Management (DHRM) measures that can eventually be taken with respect to non-compliance with established policy.</p> <p>Update of Jan. 2010</p>
09 (l)	<p>Intensify its efforts to conduct an in-depth analysis of audit certificates in order to make potential adjustments to prior-year expenditure in the financial statements (para.135);</p> <p>Financial Control Section</p>	<p>Ongoing</p> <p>2007 – 09(l)</p>	<p>In January 2009, UNHCR assigned a professional staff member to carry out an in-depth analysis of the audit certificates where a qualified audit opinion was expressed by the third party auditor on a sub-project implemented in 2007. From the analysis, the main reasons for qualifications were identified and the potential financial impact determined. In addition to this analysis, UNHCR has followed up and coordinated appropriate actions with concerned offices to resolve qualification matters. Any refunds received are duly reported in the UNHCR financial statements as adjustments to prior-years' expenditures (Statement I).</p> <p>A similar exercise is taking place for the 2008 audit certificates, for which the third party auditor expressed a qualified opinion. To date, 66 audit certificates for 2008 have a qualified audit opinion. These have all been reviewed; the reasons for qualification have been identified and the possible financial impact has been determined by the Financial Control Section (FCS) as of 08 January 2010.</p> <p>FCS is also following up with respective Field Offices on corrective action.</p> <p>Qualification issues were resolved for 30 cases (total agreement value USD 22.40 million) as of 08 January 2010.</p> <p>UNHCR will also explore the possibility of having reports generated from the ERP (PeopleSoft) in the future to track the actual amount over which the auditors expressed a qualified opinion, thereby facilitating reporting and follow-up.</p> <p>In an effort to streamline the audit certification process, standard terms of reference for external audits of UNHCR's IPs was issued in November 2009.</p> <p>Update of Jan. 2010</p>
09 (m)	<p>In collaboration with OIOS, take appropriate measures to reduce the time period for filling the vacant posts for internal auditors (para. 144).</p> <p>Controller's Office - DFAM</p>	<p>To be examined during 2010 audit exercise</p>	<p>The United Nations Office of Internal Oversight Services (OIOS) is an independent and separate entity from UNHCR, hence UNHCR is unable to fill vacant internal auditor posts. In 2009, OIOS filled all its core positions in its Service in Geneva.</p>
OTHER RECOMMENDATIONS			
44	<p>The Board recommends that UNHCR: a) disclose any change in accounting policy in its notes for the financial year in which the changes are decided; and b) disclose the effect of such a change in accounting policy, as required by paragraphs 18 and 19 of the United Nations system accounting standards.</p>	<p>February 2010</p>	<p>UNHCR will disclose any changes in accounting policies adopted in 2009, in the 2009 notes to the financial statements: (due February 2010)</p> <p>Update of Jan. 2010</p>

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2009 REPORT ON 2008 ACCOUNTS / UNHCR update as at January 2010

	Financial Control Section		
47	The Board recommends that UNHCR review its policy concerning non-recoverable voluntary contributions to ensure compliance with paragraph 34 of the United Nations system accounting standards. Financial Control Section	During 2011 2007 – para 57	As part of IPSAS implementation, a policy on the treatment of uncollectible voluntary contributions has been approved by the IPSAS Steering Committee. In essence, any voluntary contribution that is not received from the donor three years after the pledge is received and recorded as income will be recognized as a doubtful contribution. This policy will be implemented in 2011. Update of Jan. 2010
68	The Board recommends that UNHCR implement appropriate internal control procedures to prevent errors in entering contributions and ensure the reliability of its system for recording income. Financial Control Section & DRRM	Action to be examined during 2010 audit exercise	In August 2009, an Enterprise Resource Planning (ERP) system enhancement was put in place to enable automatic reconciliation between the income recording module (known as Enterprise Performance Management or EPM) and the General Ledger (GL). The resulting monthly reconciliation reports are used to identify any discrepancies between EPM and GL and trigger necessary action for corrections. Also, the procedures and system change that was put in place for unidentified contributions allows for the automated exchange rate gain/loss calculation associated with these contribution records, thereby eliminating the risk of error posed by the previous manual procedure. Update of Jan. 2010
83	The Board once again reiterates its recommendation that UNHCR monitor the closure of bank accounts and implement controls to ensure the effective oversight of the bank accounts of field offices. Financial Control Section	Action to be examined during 2010 audit exercise 2007 – para 65 2006 – 09(e)	Bank accounts that were found to be inactive during the audit of the 2008 accounts (22 bank accounts with a total balance of USD 94,423 as at 31 December 2008) have been brought to the attention of concerned managers for follow-up and action. The Field has confirmed that 2 out of the 22 accounts are not to be closed for various reasons. Fifteen of the inactive accounts have been dealt with (12 already closed and 3 to be closed shortly). A monthly analysis of bank account activity has been initiated by the Financial Control Section (FCS), starting with the month of June 2009. Accounts with no activity for more than six months will be recommended for closure by the Field. Seventeen inactive accounts have been closed above those identified during the 2008 audit. In order to eliminate the potential for new inactive accounts, before opening new bank accounts, the Treasury section liaises with FCS in order to agree on the need for opening them. Update of Jan. 2010
86	The Board once again reiterates its recommendation that UNHCR implement controls to avoid negative balances in petty cash accounts. Financial Control Section	Action to be examined during 2010 audit exercise 2007 – para 69 2006 – 09(h)	As of 8 January 2010 there are no petty cash accounts with negative cash balances. FCS continues to monitor petty cash balances as part of the month-end closure tasks. The year-end closure memorandum for the 2009 accounts outlined the steps for closing the petty cash accounts at year-end and emphasized that petty cash accounts must not, under any circumstances, show negative balances. Update of Jan. 2010
166	The Board recommends that UNHCR: (a) expressly specify the conditions under which the Office of the Inspector General may participate in assignments on behalf of other international organizations, and recover the net costs of doing so; (b) enhance its cooperation with OIOS, and (c) increase its efforts concerning the training of investigators. IGO	Action to be examined during 2010 audit exercise	a) The Inspector General’s Office (IGO) has previously advised the Board of Auditors (BOA) that it will in future only carry out exceptional investigation assignments on behalf of other international organizations on a cost recovery basis. The IGO now advises that the finalization of the formal instruction on the role, functions and modus operandi of its Office and the revised IGO investigation procedures has been delayed until such time as the UNHCR Oversight Committee determines if and how the European Anti-Fraud Office (OLAF) independent panel review recommendation regarding expanding the IGO’s mandate to include investigation of third party fraud, is to be implemented. b) The IGO confirms its earlier report to the BOA that close and satisfactory cooperation exists between the IGO

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2009 REPORT ON 2008 ACCOUNTS / **UNHCR update as at January 2010**

		<p>and OIOS. Emphasis on this cooperation will be maintained in 2010.</p> <p>c) The IGO has previously advised the BOA of the three-day investigation training carried out in October 2009, and of the IGO's plans for re-launching the Investigation Learning Programme in the first semester of 2010.</p> <p>Update as Jan. 2010</p>
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