

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR **2009 REPORT ON 2008 ACCOUNTS** / UNHCR update as at August 2010 (including BoA comments)

UN Board of Auditors' recommendations		Status + Estimated time for completion	Actions taken or intended to be taken and/or recent update
<b>Main Recommendations</b>			
09 (a)	<p>Comply with the provisions concerning the cancellation of unliquidated obligations and reinforce its mechanisms for controlling the validity of obligations (para. 37);</p> <p><b>Financial Control Section - DFAM</b></p>	<p>December 2010 and ongoing</p> <p><b>2007 – 8 (A)</b></p>	<p>For 2008, out of the USD 120.5 million in unliquidated obligations (ULOs) recorded in the 2008 accounts, USD 106.6 million (88.5%) were liquidated in 2009 and USD 13.2 million (10.9%) were cancelled in 2009. A very small, but valid amount, USD 795,094 (0.6%), was carried over into 2010 and duly liquidated during the first quarter of the same year. This was raised again in the audit of 2009 accounts. In order to address this issue, in 2009, numerous training sessions were held in the Field to address problems with the recording of financial transactions, including obligations. In addition and to further address this recurring problem, in October 2010, UNHCR will hold a symposium for its senior finance staff in the Field. One of the topics to be covered during this conference is the year-end closure covering areas such as explanations on the closure instructions, important dates for completion of year-end tasks, and discussion of recurring year-end closure problems, including cancellation or validation of obligations.</p> <p><b>Update of August 2010</b></p>
09 (b)	<p>Set up specific funding for its accrued end-of-service and post-retirement liabilities, notably those related to after-service benefits (para. 61);</p> <p><b>Financial Control Section - DFAM</b></p>	<p>March 2011</p> <p><b>2007 – 08 (B)</b></p>	<p>UNHCR presented possible funding approaches to the Standing Committee in June 2009, but a decision was not presented at that time, pending the outcome of the General Assembly decision on funding the liabilities of the United Nations Secretariat. Subsequently, in its resolution A/RES/64/241 adopted on 24 December 2009, the General Assembly deferred its decision on funding proposals for end-of-service and post-retirement liabilities until the 67<sup>th</sup> session of the General Assembly. At the 48<sup>th</sup> Meeting of the Standing Committee in June 2010, UNHCR again put forward a series of funding options for consideration by Member States in conference room paper EC/61/SC/CRP.19. Member States expressed divergent views and asked to pursue discussions on the subject in informal consultations in September 2010. Subsequently UNHCR hopes to have received sufficient guidance from Member States, in order to be able to present a preferred funding option for end-of-service and post-retirement liabilities based on a cost estimate of various options.</p> <p><b>Update of August 2010</b></p>
09 (c)	<p>Ensure that contributions received are subject to timely accounting processing by clearing the suspense accounts (para 66);</p> <p><b>Financial Control Section - DFAM</b></p>	<b>Implemented</b>	<p>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.</p> <p>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 time of the year-end closure of 2009 accounts.</p>

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR **2009 REPORT ON 2008 ACCOUNTS** / UNHCR update as at August 2010 (including BoA comments)

			<b>Update of January 2010</b>
09 (d)	<p>Approve a revised plan for transition to IPSAS, accompanied by a budget revised to include the cost of modernizing the software (para. 80);</p> <p><b>Financial Control Section and IPSAS Team - DFAM</b></p>	<b>Implemented</b>	<p>A revised 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 waiting for approval by the Steering Committee and Budget Committee.</p> <p><b>Update of January 2010</b></p>
09 (e)	<p>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);</p> <p><b>Asset Management Unit – SMS/DESS</b></p>	<b>Implemented</b>	<p>In the course of the IPSAS implementation project this has been one of the main priorities alongside implementing the IPSAS rules themselves. To this end we have revised all AM process maps and incorporated into all AM Business Requirements steps to avoid control deficiencies in the management, recording and monitoring of PPE. SMS believes that we have succeeded in this endeavour and that with the implementation of IPSAS in 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 hopefully closing all process related deficiencies.</p> <p><b>Update of January 2010</b></p>
09 (f)	<p>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);</p> <p><b>Asset Management Unit – SMS/DESS</b></p>	<p>December 2010 and ongoing</p> <p><b>2007 – 08 (e)</b> <b>2006 – 09 (o)</b></p>	<p>Ensuring the accuracy and completeness of assets in the database is an ongoing process. Since mid-2009, UNHCR has been coordinating a full review of its non-expendable property for every country operation. In UNHCR's response to the 2008 Board of Auditors' recommendation on this matter, it was reported that the necessary systems integration would be in place, from 1 January 2010, to ensure integrity of data in the database. Unfortunately, owing to resource constraints caused by conflicting priorities, the IPSAS project has suffered delays and the systems and procedures were not in place as of 1 January 2010 as planned, hence these measures will only be implemented in the last quarter of 2010, under the existing accounting standards. Staff are working continuously to ensure that the database is properly maintained. At the time of reporting, the clean-up of the database of non-expendable property was 95 per cent complete. The Asset Management Unit (AMU) in the Supply Management Section (SMS) continues to work closely with the Field to finalize this clean up exercise and ensure that the new procedures and systems functionality are put in place during 2010. Furthermore, a system of monthly monitoring of all Property Plant and Equipment (PPE) has been in place since the beginning of 2009. In order to prevent incorrect registration of PPE, the functionality for adding assets directly into the database is only available to the Asset Management Unit in Budapest. Regarding the asset disposal procedures, in January 2010, UNHCR introduced a system to monitor all disposals and verify that they have been correctly processed by the relevant Asset Management Boards.</p> <p><b>Update of August 2010</b></p>

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR **2009 REPORT ON 2008 ACCOUNTS** / UNHCR update as at August 2010 (including BoA comments)

09 (g)	<p>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);</p> <p><b>SMS - DESS &amp; Financial Control Section - DFAM</b></p>	<p>December 2010</p> <p><b>2007 – 08 (f)</b></p>	<p>Measures are being put in place to track and report inventory in the financial statements for the year 2010. To this end, the inventory held at the end of 2009 was subjected to physical count and a valuation exercise is underway to establish an opening balance for the accounts of 2010. UNHCR is currently improving the accuracy of the data and putting in place the technical modifications to MSRP that are required for it to “go-live”, expected in the last quarter of 2010. Once the system changes are implemented, financial transactions will automatically occur whenever there is a corresponding movement of items in or out of the inventory, thereby ensuring that data in the financial system correctly reflects the value of inventory.</p> <p><b>Update of August 2010</b></p>
09 (h)	<p>Continue its effort to reduce the number of staff in between assignments and not on temporary duty (para 116);</p> <p><b>DHRM</b></p>	<p>March 2011</p> <p><b>2007 – 08(h)</b></p>	<p>UNHCR has introduced different human resources reforms, which together, contribute to the reduction in the number of staff in between assignments (SIBAs). Although progress has been made in addressing the issue of SIBAs, it is a systemic problem created on the one hand by the high percentage of indefinite contracts at senior grades, 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 addendums or go on a temporary assignment.</p> <p>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 find a temporary assignment as soon as possible.</p> <p>OIOS is currently completing an audit on this issue. The Division of Human Resources is confident, having seen the initial conclusions, that OIOS observations and recommendations will assist considerably in consolidating a comprehensive SIBA policy and introducing enhanced measures to address the challenges in reducing the numbers. The policy will be developed in the 3<sup>rd</sup> quarter of 2010 and reviewed by the Joint Advisory Committee in the 4<sup>th</sup> quarter, with the aim of progressively implementing it from the beginning of 2011.</p> <p><b>Update of August 2010.</b></p>

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR **2009 REPORT ON 2008 ACCOUNTS** / UNHCR update as at August 2010 (including BoA comments)

09 (i)	Continue its efforts to improve the rate of timely justification of the advances granted to implementing partners (para. 123);  <b>Financial Control Section - DFAM</b>	March 2011 <b>2007 – 08(i)</b>	Throughout 2010, weekly reports have been produced and sent regularly to Field Offices, reminding them of the importance of timely clearance of instalments not yet reported upon by implementing partners. As at 25 August 2010, for 2008 projects there was an outstanding balance of USD 780,651 or 0.01% of the total installments paid to implementing partners during 2008. In addition, in March 2010, the Financial Control Section started to review roles and accountabilities relating to financial transactions within the organization, and has identified that additional controls and monitoring of instalments made to partners are needed. Once this review is complete, discussions will be held with the Regional Bureaux to determine how to further improve controls in this area. In addition, during the aforementioned symposium for UNHCR senior finance staff and at another such meeting for project control officers, the importance of recording implementing partner (IP) expenditure reports promptly will be stressed.  <b>Update of August 2010</b>
09 (j)	Assess the instalments to implementing partners that have remained unjustified for more than one year and take appropriate measures to have them justified or recovered from the implementing partners (para. 127);  <b>Financial Control Section - DFAM</b>	June 2011	For the 2007 project agreements, the outstanding balance as at 25 August 2010 stood at USD 278,688. For the 2008 project agreements, the outstanding balance at 25 August 2010 stood at USD 780,651. With regards to the remaining outstanding instalments balances for the year 2004, 2005, and 2006, efforts to recover the amounts continue. A review of these balances to determine whether they are recoverable in full or in part is being undertaken. So far an amount of USD 2.85 million has been reconciled or recovered, or written off from the receivable outstanding from implementing partners for 2004 to 2006. Thus, the receivable outstanding from implementing partners for 2004-2006 at 15 August 2010 stood at USD 1.32 million. Recommendations for write-off will be initiated for those that are deemed unrecoverable.  <b>Update of August 2010</b>
09 (k)	Intensify its efforts to obtain the audit certificates from implementing partners by 30 April each year (para.132);  <b>Financial Control Section - DFAM</b>	June 2011 <b>2007 – 08(j)</b> <b>2006 – 9(k)+ 9(j)</b>	<b>1.</b> UNHCR continues efforts to improve compliance on implementing partner (IP) audit certification. As at 15 August 2010, the compliance rates were: (a) For 2007 projects without exceptions (extensions and waivers) 99.53%; with exceptions, the rate is 100% (b) For 2008 projects without exceptions (extensions and waivers) 99.32%; with exceptions, the rate is 99.55% <b>2.</b> UNHCR has continuously strengthened its process for the monitoring and the selecting of external auditors to audit 2009 projects implemented by UNHCR partners. All offices selected audit firms before 31 December 2009. Despite the operational environment and constraints, UNHCR reached higher compliance rate i.e. 98% with exceptions (extension and waiver) by 15 August 2010 for 2009 projects, compared to previous years. <b>3.</b> In addition to the concerted efforts for complying with the current audit certification policy, UNHCR is concurrently reviewing the current policy on implementing partner (IP) audit requirements as part of a broader review of IP management. Since February 2010, a staff member has been tasked to review the policies and procedures which include: 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 bench marking purposes; identify techniques used to achieve good compliance and introduce them to UNHCR if feasible; and cooperate to share independent auditors where this is feasible; ii) Assessing the current practice of relying on audits by the Auditors General of Government departments

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR **2009 REPORT ON 2008 ACCOUNTS** / UNHCR update as at August 2010 (including BoA comments)

			<p>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 intensive manual process that is time consuming and subject to risk of delay and risk of error; and</p> <p>iv) Examining ways to improve reporting to management on non-compliance so as to accelerate resolution of the problem;</p> <p>v) Exploring other alternative cost effective, realistic and timely approaches to obtain assurance that funds are properly disbursed through implementing partner arrangements.</p> <p>A final report, containing identified root causes of deficiencies in implementing partner performance monitoring and compliance, alternative options, modalities for implementation, resource requirements and implications, will be available for consideration by the end of 2010.</p> <p><b>4.</b> Ensure that the draft Global Management Accountability Framework, recently made available 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><b>5.</b> 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> <p><b>6.</b> Deliver targeted financial management training courses to key operations in 2010, focusing on managing implementing partners and related financial risks. The training includes the audit certification process.</p> <p><b>7.</b> 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><b>8.</b> Terms of reference, in preparation for the audit of the 2009 financial accounts, for the engagement of local audit firms were issued in November 2009 to ensure consistency in approach and expected results from the audit certification process across operations.</p> <p><b>Update of August 2010</b></p>
09 (1)	<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><b>Financial Control Section - DFAM</b></p>	<b>Implemented</b>	<p>UNHCR assigned a professional staff member in January 2009 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 as well as the potential financial impact. 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</p>

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR **2009 REPORT ON 2008 ACCOUNTS** / UNHCR update as at August 2010 (including BoA comments)

			<p>UNHCR financial statements as adjustments to prior-years' expenditures (Statement I). 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 identified and the possible financial impact 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 millions) 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><b>Update of January 2010</b></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><b>Controller's Office - DFAM</b></p>	December 2010	<p>UNHCR shares the Board's concerns on vacant internal audit positions, and has raised the issue with senior OIOS officials based in New York (October 2009) and in Geneva (May 2010, June 2010). UNHCR has ensured that adequate funding was put in place to facilitate timely recruitment activities, since it does not participate in the recruitment process itself. OIOS has advised UNHCR that every effort will be made to fill the positions as expeditiously as possible. UNHCR is concerned that internal audit coverage is not being provided in key areas of programme activity and will continue to pursue the matter with senior officials of OIOS as a matter of priority.</p> <p><b>Update of August 2010</b></p>
<b>OTHER RECOMMENDATIONS</b>			
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><b>Financial Control Section - DFAM</b></p>	<b>Implemented</b>	<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><b>Update of January 2010</b></p>
47	<p>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.</p> <p><b>Financial Control Section - DFAM</b></p>	<b>Implemented</b>	<p>As part of IPSAS implementation, a policy on the treatment of uncollectible voluntary contributions has been approved by the IPSAS Steering Committee. In essence, the voluntary contributions that are not received from the donors 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.</p> <p><b>Update of January 2010</b></p>



FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR **2009 REPORT ON 2008 ACCOUNTS** / UNHCR update as at August 2010 (including BoA comments)

68	<p>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.</p> <p><b>Financial Control Section - DFAM &amp; DRRM - DER</b></p>	<b>Implemented</b>	<p>In August 2009, an ERP system enhancement was put in place to enable the automatic reconciliation between the income recording module (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.</p> <p><b>Update of January 2010</b></p>
83	<p>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.</p> <p><b>Financial Control Section -DFAM</b></p>	<p>September 2010</p> <p>2007 – para 65 2006 – 09(e)</p>	<p>Of the 22 bank accounts (with a total balance of USD 94,423 as at 31 December 2008) that were found to be inactive during the audit of 2008 accounts, 16 have been closed to date, one is in the process of being closed, two are still in the process of being resolved and three have been confirmed as still required by the field offices. A monthly analysis of bank account activity is undertaken, and as a result of this pro-active monitoring, 52 other inactive bank accounts were identified and closed since January 2010.</p> <p><b>Update of August 2010</b></p>
86	<p>The Board once again reiterates its recommendation that UNHCR implement controls to avoid negative balances in petty cash accounts.</p> <p><b>Financial Control Section - DFAM</b></p>	<b>Implemented</b>	<p>As of 8 January 2010 there are no petty cash accounts with negative cash balances. Financial Control Section (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 at year-end and emphasized that petty cash accounts must, under no circumstances, show negative balances.</p> <p><b>Update of January 2010</b></p>
166	<p>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.</p> <p><b>IGO</b></p>	<p>Action to be examined during 2010 audit exercise</p>	<p>With regard to item a), the Inspector General's Office (IGO) in UNHCR has confirmed to the Board of Auditors on several occasions that it will in future only carry out exceptional investigation assignments on behalf of other international organizations on a cost recovery basis. UNHCR requests that this recommendation be considered implemented. The IGO has shared the revised formal instruction on the role, functions and modus operandi of the IGO with the High Commissioner during August 2010. Its revised IGO investigation guidelines have been finalized and are under review by UNHCR's Legal Affairs Service. With regard to item (b), The IGO confirms once again its earlier report to the BOA that close and satisfactory cooperation exists between the IGO and OIOS. This will be maintained in 2010. With regard to item (c) the IGO has previously advised the Board of Auditors of the three-day investigation training carried out in October 2009, and of the re-launch of the Investigation Learning Programme in 2010. Such training will be continued. The Inspector General's Office considers that these recommendations have been fully implemented.</p> <p><b>Update of August 2010</b></p>