

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2010 REPORT ON 2009 ACCOUNTS / **update as of January 2012**

<b>UN Board of Auditors' recommendations</b>		<b>Status and estimated time for completion</b>	<b>Actions taken or intended to be taken and/or recent updates</b>
<b>Main recommendations</b>			
10 (a)	Intensify the efforts of the working groups in charge of preparing for IPSAS in order to comply with the target of full implementation in 2012 (para. 27).	January 2012	UNHCR had reported on the constraints to implementation of the International Public Sector Accounting Standards (IPSAS), in particular, shifted priorities owing to the introduction of the new results-based budgetary framework, as well as a lack of sufficient skilled human resources. There were initially some delays in certain IPSAS working groups but necessary action has been taken to address the particular issues to ensure IPSAS implementation for the year 2012. UNHCR strengthened the project organization and governance. As a result, the preparatory work for IPSAS (policies, procedures, systems, change management and training) are now complete as planned.
10 (b)	Analyze the reasons why certain working groups have made no progress on preparation for the transition to IPSAS and make specific efforts to improve the low rates (para. 33).	October 2010 and ongoing	<b>Update January 2012</b>
10 (c)	Comply with the provisions concerning the cancellation of unliquidated obligations and reinforce its mechanisms for controlling the validity of obligations (para. 60).	December 2010 and ongoing  2007 – 08 (a) 2008 – 09 (a)	In 2009, numerous training sessions were held in the Field to address problems with the recording of financial transactions, including obligations. To further address this recurring problem, several initiatives were taken, including a symposium which was held in October 2010 for senior finance staff from regional offices. Recurring year-end closure problems were discussed, including cancellation or validation of obligations. In year-end closure instructions for 2010, and then for 2011, the correct treatment of unliquidated obligations was highlighted. The Financial Control Section (FCS) of the Division of Financial and Administrative Management (DFAM) has continued to scrutinize supporting documents for selected high value Purchase Orders. In its efforts to continue to control the validity of obligations, for year-ends 2010 and 2011, a detailed survey was made of all countries with total unliquidated obligation amounts higher than \$100,000. Field offices were asked for copies of signed Purchase Orders where the amounts were higher than \$100,000, in order to control their validity.
10 (d)	Set up specific funding for its accrued end-of-service and post-retirement liabilities (para. 73).	March 2011  2007 – 08 (b) 2008 – 09 (b)	Formal approval for the funding of a reserve for repatriation benefits was given at the 51 <sup>st</sup> meeting of the Standing Committee in June 2011. (A/AC.96/1104) ( <a href="http://www.unhcr.org/4e1417399.html">http://www.unhcr.org/4e1417399.html</a> ). Monthly fund transfers to the Staff Benefits Fund will commence in 2012.
			<b>Update January 2012</b>

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2010 REPORT ON 2009 ACCOUNTS / **update as of January 2012**

10 (e)	Prepare comparative statistics and indicators in order to measure the improvement in the quality of the services delivered by out posted units (para. 90).	March 2011	The balance scorecard (BSC) developed during the 1 <sup>st</sup> half of 2011 to measure progress in the improvement of ICT services following the DIST reform was populated with baseline data. In addition, performance targets have been set for each of the BSC metrics based on projected capacity and planned projects / programmes. Comparison of improvements in service delivery with baseline data in the BSC will be part of the systematic performance measurement relating to the restructuring and decentralization of DIST starting the 2 <sup>nd</sup> half of 2012.  <b>Update January 2012</b>
10 (f)	Ensure that bank reconciliations are exhaustive and resolve unexplained differences between bank confirmation statements and the general ledger (para. 100).	September 2010 and ongoing	Since mid-2009, UNHCR has put in place a systematic and regular process for following up outstanding bank reconciliations. At the end of each month, a bank reconciliation status report is produced, showing when bank reconciliation was last prepared and last approved for each of the UNHCR bank accounts in the Field. Also, for identified high-risk accounts, a more detailed review is being undertaken and scrutinized closely by DFAM/FCS and followed up upon with the field offices concerned. In addition, in order to help ensure that bank reconciliations are properly done, including the resolution of unexplained differences, an on-line course on bank reconciliation has been made available in the UNHCR Learning Management System. Furthermore, DFAM/FCS prepares bank reconciliations for country offices that have not been preparing the bank reconciliation in a timely manner. A monthly analysis of bank account activity is undertaken and inactive accounts have been closed accordingly. Furthermore, DFAM/FCS has deployed staff on mission to resolve bank reconciliation problems and other financial management issues. An escalation process was put in place and now any bank reconciliations that are not completed in a timely manner are reported to the executive management in a systematic way. Finally, a comprehensive accounts validation exercise with the support of consultants (Deloitte) commenced in late July 2011. As a result of the accounts validation exercise at the end of 2011, the UNHCR Headquarters Assets Management Board (HAMB) reviewed and made recommendations to the Controller and the High Commissioner in respect of items that warranted write off, and action has been taken accordingly.  <b>Update January 2012</b>
10 (g)	Continue its efforts to improve the rate of timely justification of advances granted to implementing partners (para. 108).	March 2011 and ongoing	UNHCR has continued to dedicate time, resources and effort to bringing forward and further improving the rate of justification of advances to Implementing Partners (IP). Field operations are systematically reminded of their obligation to report on time and to recover unspent balances from IPs. At the same

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2010 REPORT ON 2009 ACCOUNTS / **update as of January 2012**

		2007 – 08(i) 2008 – 09 (i)	<p>time, Bureaux and DFAM management are updated on a weekly basis on the status of the differences between the advanced amounts and actual expenditure reported (X21 reconciliation). As a result, the rate of IP expenditure justification has significantly improved in recent years ,as follows:</p> <ul style="list-style-type: none"> <li>- 2010 X2 balance at the end of December 2011 was \$566,646, compared to \$7.3 million at the end of June 2011.</li> <li>- 2009 X21 balance at the end of December 2011 was \$165,134</li> <li>- 2008 X21 balance at the end of December 2011 was \$327,093</li> </ul> <p>These balances have been moved to receivables of the accounts ending year 2011 on an exceptional basis in order to meet IPSAS requirements for the opening balances.</p> <p><b>Update January 2012</b></p>
10 (h)	Assess the installments made to implementing partners that have remained unreported for more than a year; and take appropriate measures to have them reported or recovered from the implementing partners (para. 117).	March 2011  2008 – 09 (j)  Under implementation	<p>In addition to ensuring that current year IP X21 balances are reconciled as early as possible, efforts have been made to reduce the balances due for over a year.</p> <ul style="list-style-type: none"> <li>- The 2008 X21 balance was reduced from \$1,114,997 as of June 2010, to \$327,093 as of 31 December 2011.</li> <li>- The 2009 X 21 balance of \$463,405 was also reduced to \$165,134 as of 31 December 2011.</li> <li>- The 2010 X 21 balance of \$7.3 million as of June 2011 was reduced to \$566,646 as of 31 December 2011.</li> </ul> <p>Efforts made by UNHCR in past years to resolve long-outstanding items, coupled with the ongoing systematic follow-up of current year activities, have led to a much improved situation.</p> <p><b>Update January 2012</b></p>
10 (i)	Record non-expendable property values in a timely and regular manner, as soon as they are recorded in the asset database; take a full physical inventory of its non-expendable property in each field representation so as to match the assets present with the list of assets found in the database; monitor asset-disposal procedures more rigorously (para. 153).	December 2010 and ongoing  Under implementation	<p>The outstanding elements of this recommendation are reiterated in the BOA report on 2010 accounts. As reported for recommendation 56 of the BOA report on the 2010 accounts, on the basis of a mid-year validation exercise, which took place between May and October 2011, and the year-end validation exercise in November and December 2011, the data supporting non-expendable valuations was cleansed. The Supply Management Service (SMS) within the Division of Emergency, Security and Supply (DESS) facilitated the process for write-off exceptionally during the year-end validation process in order to be able to process all necessary write-offs before the end of 2011 while maintaining an adequate audit trail. In addition, SMS used the exception reports which were run in November and December 2011 to identify and correct potential inaccuracies. At year-end 2011, remaining discrepancies were immaterial.</p> <p><b>Update January 2012</b></p>

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2010 REPORT ON 2009 ACCOUNTS / **update as of January 2012**

10 (j)	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. 158).	December 2011 2007 – 08(f) 2008 – 09 (g)	UNHCR reiterates the response provided to the 2008 BOA report on the same subject, and confirms that measures have been put in place to track and report on inventory. SMS has improved the accuracy of the data and has put in place the technical modifications to MSRP that are required for IPSAS implementation. Once the system changes to “go live” for IPSAS implementation, financial transactions will automatically occur whenever there is a corresponding movement of items in or out of inventory, thereby ensuring that data in the financial system correctly reflects the value of the inventory.  <b>Update January 2012.</b>
10 (k)	Continue its efforts to reduce the number of staff in between assignment and not on temporary duty (Para 173).	March 2011 and ongoing  2007 – 08 (h) 2008 – 09 (h)	As a follow-up to the Office of Internal Oversight Services (OIOS) specific audit report on Staff-in-Between Assignments (SIBA), issued in December 2010, UNHCR is awaiting the considerations of the Joint Advisory Committee (JAC) on the new SIBA Policy. The JAC was unable to include the SIBA policy on its work agenda in 2011. The SIBA policy will be included on the agenda of the new JAC, which will be constituted now that the Staff Council elections have taken place. The timeframe for promulgation of the policy and associated procedures is by end June 2012.  <b>Update January 2012</b>
<b>Other recommendations</b>			
31	Ensure that its revised financial rules, compliant with IPSAS, be adopted in conjunction with the entry into force of IPSAS.	January 2012  Under implementation	Consultations have taken place with the BOA and OIOS on the revision of UNHCR’s financial rules in order to align them with IPSAS. The revision of the rules was finalized and approved by the Executive Committee at its 62 <sup>nd</sup> session, entering into effect as of 1 January 2012 (Document A/AC.96/503/Rev.10). Bearing in mind that UNHCR’s financial rules must be consistent with the Financial Regulations of the United Nations, the General Assembly “authorized UNHCR to apply <i>mutatis mutandis</i> the Financial Regulations of the United Nations to its voluntary funds accounting process and financial reporting, for the sole purpose of its timely implementation of IPSAS” (A/C.5/66/1.19). UNHCR considers this recommendation fully implemented.  <b>Update January 2012</b>
57	Make every effort to expedite the clearing of unliquidated obligations against account payables whenever bills and invoices are available to substantiate the receipt of goods and services.	December 2010  Under implementation	The correct recording of accounts payable and unliquidated obligations was given emphasis in both the 2010 as well as the 2011 year-end closure instructions. Field offices were reminded to pay proper attention when entering data into UNHCR’s ERP system and to record transactions in a timely manner. For monitoring and control purposes, field offices receive from DFAM/FCS on a monthly basis, a Purchase Order (PO) activity report which lists outstanding balances against each Purchase Order, Match and Budget exception reports etc. This enabled field offices to review POs that had not been

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2010 REPORT ON 2009 ACCOUNTS / **update as of January 2012**

			processed and remained outstanding. A system for closer monitoring of unliquidated obligations has also been introduced at DFAM/FCS.  <b>Update January 2012</b>
84	Modify the notes to its financial statements by including disclosure of the change in the main actuarial assumptions used for the valuation of the after-service health insurance liability, along with the reason for and the effect of this change.	December 2010  Under implementation	This recommendation has been implemented. The change in discount rate used and the change in the health-care trends assumptions for UNSMIS participants were explained in note 19 "Liabilities for end-of-service and post-retirement benefits" of the Financial Statements for the year ending 31 December 2010. In 2010, the discount rate of 5.55 per cent, based on spot rates for high quality corporate bonds payable in Euros for the corresponding maturity years, was used. In 2009, this rate was 6.15 per cent.  <b>Update January 2012</b>
123	Continue its efforts to obtain the audit certificates from implementing partners by 30 April of each year.	June 2011  2006 – 09(k) + 09 (j) 2007 – 08 (j) 2008 – 09 (k)  Under implementation	During 2011, UNHCR has continued to give priority to the proper and timely completion of the IP audit certification process. As per previous update, during the past two years, significant time and resources have been invested in ensuring that audit certificates are received on time. The follow-up already starts the year before the audit is carried out by making sure that audit firms are engaged in a timely manner. This is a critical factor in ensuring that audits can start without delay the following year and be completed by the stipulated 30 April deadline. Both field offices and Bureaux are regularly involved and informed of progress and have thereby also gained greater awareness of the audit process. These stricter measures have resulted in increasing compliance rates by the end of April, as follows:  For 2010 agreements: by 30 April 2011 86.4 % of audit certificates due had been received For 2009 agreements: by 30 April 2010 65.2 % of audit certificates due had been received For 2008 agreements: by 30 April 2009 13 % of audit certificates due had been received In legitimate cases, the delayed receipt of audit certificates is authorized by the Controller. Such agreements are excluded from the summary figures, as they were not deemed due on 30 April of that year. As of 31 December 2011, the compliance rate for 2010 IP audit certificates was 99.9%. As for prior-year audit certificates, the compliance rate was 99.9% for 2009 IP audit certificates and 99.7% for 2008 IP audit certificates.  <b>Update January 2012</b>
126	Continue to make potential adjustments to prior-year expenditure in the financial statements.	Ongoing  Under implementation	UNHCR has implemented and continued to improve the follow-up of qualified IP audit reports through the use of a very detailed matrix summary covering areas such as qualification categorization, potential financial impact, field responses on DFAM/FCS inquiries and audit-related recoveries. In addition,

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2010 REPORT ON 2009 ACCOUNTS / **update as of January 2012**

			throughout 2011, unqualified IP audit reports were sampled by instalment value for analysis. In total, 66 out of 660 agreements were sampled and analysed.  <b>Update January 2012</b>
134	Update the standard contract with its implementing partners.	December 2010  Under implementation	As mentioned in the previous update, all the standard contracts with IPs for project implementation have been amended to reflect the new terminology and changes introduced. In an all staff email of 22 December 2010, the information was disseminated, and corresponding formats uploaded onto Intranet. Furthermore, UNHCR's Instructions and Guidelines on Implementation for 2011 again made reference to these facts. A Spanish version was activated in MSRP in March 2011.  <b>Update January 2012.</b>
139	Put the monitoring of project implementation progress indicators on a formal footing and keep a record of the checks.	June 2012  Under implementation	UNHCR fully appreciates the importance of monitoring the progress of project implementation against performance indicators established at the outset of the project. UNHCR is giving monitoring of project implementation considerable emphasis in its internal guidelines on implementation. As part of UNHCR's commitment to results-based management (RBM) and to accommodate the associated results framework, a set of standardized performance indicators was integrated into duly revised sub-project agreement formats for 2010. When Chapter IV of the UNHCR Manual is updated, additional guidance will be provided to field offices on the proper monitoring of the progress of the project, both on performance and impact, measured against set indicators drawn from UNHCR's results framework. Emphasis will also be attached to the proper recording of such periodic monitoring.  In addition a comprehensive review on UNHCR's approach to Implementing Partners (IP) Management and its framework was completed during 2011. The improved framework for the management of IPs - including elements of the differentiated risk-based framework - will be incorporated in the revised manual for operations, Chapter IV.  In addition, in its internal guidelines on implementation for 2011 issued by UNHCR in January 2011, UNHCR emphasized the importance of IP-agreements that are well-aligned with operation plans leading to regular progress monitoring. The guidelines specifically call - <i>inter alia</i> - for the systematic recording of observations and outcome of monitoring activities (site visits, spot checks, desk reviews, workshops and other related tools). Subsequent workshops in February and March 2011 featured dedicated sessions on designing IP-agreements that are well-aligned with plans, possible versions of monitoring plans based on <i>Focus-based Excel (pivot)</i> tables featuring selected indicators and targets as well as appropriate

FOLLOW UP TO THE RECOMMENDATIONS OF THE BOARD OF AUDITORS IN THEIR 2010 REPORT ON 2009 ACCOUNTS / **update as of January 2012**

			documentation of findings. All these elements will be incorporated in the revised Operations Manual planned for completion by the end of June 2012, and will also be further supported by the development of tools and guidance, as part of the Information Management Strategy.  <b>Update January 2012</b>
151	Obtain from its partners their annual inventories; conduct conformity checks between the non-expendable property in its Asset Track database and the non-expendable property on its partners' inventories during site visits; and conduct checks during the site visits of the inventory of non-expendable property procured with UNHCR funds, as well as of the assets donated by UNHCR.	December 2010 and on going  Under implementation	The outstanding elements of this recommendation are reiterated in the BOA report on the 2010 accounts. As reported for recommendation 56 of the BOA report on the 2010 accounts, on the basis of a mid-year validation exercise, which took place between May and October 2011, and the year-end validation exercise in November and December 2011, the data supporting non-expendable valuations (for both UNHCR and its partners) was cleansed. The Supply Management Service (SMS) within the Division of Emergency, Security and Supply (DESS) facilitated the process for write-off exceptionally during the year-end validation process in order to be able to process all necessary write-offs before the end of 2011 while maintaining an adequate audit trail. In addition, DESS/SMS used the exception reports which were run in November and December 2011 to identify and correct potential inaccuracies. At the year-end 2011, remaining discrepancies were immaterial.  <b>Update January 2012</b>
184	In collaboration with OIOS, it takes appropriate measures to reduce the number of vacancies for internal auditors.	December 2010  2008 – 09(m)	UNHCR has continued to pursue the matter of vacant internal audit positions with OIOS on a regular basis. In the annual OIOS report to the Executive Committee (A/AC.96/1101 issued on 12 July 2011), OIOS stated that vacancies remained an area of concern for both OIOS and UNHCR. OIOS recruitments are handled through the UN Secretariat recruitment system and, owing to system issues, OIOS was unable to launch vacancies until the first quarter of 2011. In the same document, OIOS reported that recruitment is in process and aimed to have the recruitment finalised by the end of 2011. To mitigate the effect of the vacancies and to add value to the audit resources funded by UNHCR, the Information and Communications Technology (ICT) Audit Section supported ICT audits and the Professional Practices and the Special Assignments Sections provided advice to audit teams. By the end of 2011, all but one of the approved audit-related positions had been filled by OIOS. However, UNHCR would like to reiterate the statement made in response to the Board of Auditors recommendation (A/AC.96/1067/Add.1): QUOTE OIOS repeatedly stressed that OIOS is an independent and separate entity from UNHCR and that UNHCR is therefore not responsible for filling the vacancies UNQUOTE.  <b>Update January 2012</b>