

Executive Committee of the High Commissioner's Programme

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Standing Committee Ninety-seventh meeting

Annual report of the Independent Audit and Oversight Committee for 2025-2026

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.¹
2. The Committee met in three formal sessions over the past year, with the agenda for each session including a review of the workplans and reports of external oversight bodies, independent internal oversight bodies, other independent entities and entities responsible for management oversight (section II below). The Committee also held several intersessional consultations and informational updates with senior management, as UNHCR adjusted its response to funding reductions and following the closing of accounts in early 2026.
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 continued disruption as UNHCR pursued restructuring efforts involving significant reductions in staff, operations and partnerships – including the activation of the Staff Placement and Reduction in Force Policy for international staff in May 2026.
6. The Committee remained engaged with senior management throughout this period and commented on approaches taken on financial management and the transparent approach taken to these vis-a-vis key stakeholders. The Committee noted that the Board of Auditors was on track to issue an unqualified audit opinion on the 2025 UNHCR financial statements and commends management for its stewardship of the organization through this acute phase of the crisis.
7. As stabilization efforts continue, the negative impacts of the rapid downsizing are becoming more evident, affecting both the organization’s internal control environment and its internal independent oversight ecosystem.

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>.

8. Since January 2026, under the leadership of the High Commissioner, UNHCR has embarked on a process to redefine its strategic direction and key goals, exemplified by the vision of reducing by half the number of refugees in protracted displacement who remain dependent on humanitarian assistance by 2035 (50 by 35). This endeavour, undertaken in parallel with the UN80 initiative and in the context of continued funding pressure, will need to be informed by evidence, including findings from independent oversight. The Committee firmly believes this work should be the first priority and that it should articulate a strategic context for mobilizing new funding, inform the organization's future footprint and funding allocations, and underpin the conclusions of the management review.

9. The diagnostic provided by the independent management review is a broad supporting platform to strengthen the UNHCR management model. It identifies multiple interdependent strands of work that will require careful planning and sequencing, coordination, clear accountability and close monitoring in the implementation phase. The Committee encouraged management to further enhance internal and external communications and engagement with key stakeholders in this process.

10. Work is underway in UNHCR on several areas covered by the management review, including redesigning the organization's staffing strategy and revising the budget model. Concerted efforts should be made to address weaknesses in the control environment, including renewed efforts to ensure timely implementation of oversight recommendations.

11. The Committee continues to closely monitor the impact of downsizing on independent oversight functions and notes that while substantial efforts have been deployed to maximize the use of available resources, there is scope for greater coordination and enhanced efficiency and effectiveness, particularly regarding internal audit arrangements.

12. Addressing the resulting assurance gaps should be pursued through a comprehensive independent review of the organization's internal oversight functions. A review, elements of which are mandated by the current Policy on Independent Oversight, would help ensure that the internal independent oversight entities of UNHCR are optimally configured to provide necessary levels of assurance.

B. External oversight

United Nations Board of Auditors

13. The Committee discussed with the external auditors the progress of the 2025 audit and matters arising, and the audit workplan for 2026.

14. The Committee noted the quality of the Board's work and appreciated the inclusion of relevant thematic reviews and timely advice on current issues in its engagements with UNHCR.

15. The Committee:

(a) Acknowledged that the Board is on track to issue an unqualified audit opinion on the 2025 UNHCR financial statements.

(b) Noted the additional information and key findings in the Board's report, including the timely review of human resources and workforce management in the context of the financial crisis, to inform the organization's changing operating model.

C. Independent internal oversight

1. Inspector General's Office

16. The Committee received briefings on key issues, trends and priorities, including efforts made by oversight providers to review workplans and leverage complementarity given resource constraints, as well as the impact of post reductions on the Office and actions taken in response.

17. The Inspector General noted a decline in the number of complaints, which was attributed in part to the reduction in staffing levels and the shifting focus of the workforce.

18. The Committee:

(a) Notes the Inspector General's critical role in independent oversight, with its strategic oversight function as a good practice model, and the opportunity to further enhance the Office's role through a review of the Policy on Independent Oversight.

(b) Encouraged the Inspector General's Office to expand assurance mapping to include, among others, the outcome of oversight engagements and residual risks.

2. Internal audit

19. The Committee received updates from the Office of Internal Oversight Services (OIOS) on workplan status, audit outcomes and recommendation implementation rates, key risks and concerns impacting UNHCR.

20. The Committee noted the substantial number of overdue audit recommendations and challenges affecting management's follow up, including recurrent recommendations, and the need to address the root causes more effectively.

21. Progress on the review of internal audit arrangements were discussed, as well as the impact of funding reductions. OIOS updated the Committee on steps taken to mitigate the impact of reductions and informed that, despite these measures, resource constraints may adversely affect its ability to meet future risk coverage goals.

22. The Committee:

(a) While recognizing the potential negative impact of resource constraints on risk coverage, emphasized the opportunity to enhance efficiency and effectiveness in its delivery model through the overdue review of internal audit arrangements. It encouraged both UNHCR and OIOS to recommit to this process.

(b) Encouraged OIOS to adopt an agile approach to the dynamic context, exploring differing delivery options and additional efficiency measures to enhance internal audit coverage with existing resources.

3. Evaluation

23. The Committee received briefings on the Evaluation Office's delivery on its workplan and efforts to provide real-time evaluative insights into reform processes. The Evaluation Office highlighted steps taken to adjust its staffing structure and funding model amid increasing earmarking and projectization of funds.

24. The Committee noted the risk of comparative under-resourcing of the evaluation function, which may place UNHCR behind comparator organizations in terms of funding and coverage.

25. The Committee:

(a) Noting the continued lack of tracking of the implementation of recommendations, encouraged the Evaluation Office and management to develop a system for monitoring implementation of recommendations.

(b) Encouraged UNHCR to set a clear and predictable funding model to allow the function to focus its resources on core responsibilities.

4. Office of the Ombudsman and Mediator

26. The Committee was briefed by the Ombudsman on the work of the office and its findings, including increased mediations, outreach and engagement to respond to concerns arising from downsizing activities.

27. The Committee:

(a) Noted the potential benefits in formally exploring options for a shared service approach to bridge Ombudsman and Mediation resource gaps.

5. Ethics

28. The Committee was briefed by the Ethics Office on its work, including efforts to revise administrative instructions on protection against retaliation, and noted an increased demand linked to the downsizing.

29. The Ethics Office noted measures to reduce costs and increase efficiency, including by in-housing the financial disclosure programme and the use of artificial intelligence.

30. The Committee:

(a) Welcomed cost savings obtained by in-housing the financial disclosure programme and the use of artificial intelligence to enhance client relations.

(b) Supported the review of administrative instructions on protection against retaliation, noting the need to ensure case management efficiency and effectiveness in close collaboration with the Inspector General.

D. Management oversight

1. Resource management

31. The Committee was briefed by the Controller on the evolving financial situation, including cash liquidity and potential deficit throughout 2025, as well as ongoing discussions on the budgeting model and proposed updates to the financial rules, including the approach to reserves.

32. The Controller briefed the Committee on preparation of the 2025 financial statements and implementation of recommendations made by the Board of Auditors.

33. The Committee:

(a) Acknowledged with appreciation the timely issuance of the 2025 financial statements.

(b) Recognized the positive impact of measures taken to reduce expenditure.

(c) Noted the critical nature of communication to Member States on budget and liquidity in order to highlight the consequences of decisions and approaches taken to managing the situation.

(d) Supported the development of a new, fit for purpose budget model and the development of stronger reserves to build organizational resilience.

(e) Noted the risk generated by the vacancy of the Controller position as new International Public Sector Accounting Standards are applied and the growing prevalence of donor earmarking may require adjustments to financial systems.

2. People management

34. The Committee was briefed on the UNHCR workforce profile following the reorganization and downsizing, including staff and affiliate workforce ratios, workforce skills mix and alignment with priorities.

35. The Committee was advised of the activation of the Staff Placement and Reduction in Force Policy to address the imbalance between the number of international professional positions and staff.

36. The Committee noted the aim to rebalance the UNHCR workforce, with greater reliance on affiliate personnel, complemented by a review of mobility and contractual frameworks.

37. The Committee:

(a) Recognized efforts to develop a workforce strategy reflecting a more flexible staff complement and considering the future operating model and a needed rationalization of the workforce.

3. Legal affairs

38. The Committee was briefed on the organization's handling of management evaluation requests, disciplinary cases and cases with United Nations tribunals. The Committee noted the sizeable increase in management evaluation requests, resulting from the downsizing process, and measures taken to improve efficiency in caseload management.

4. Design, Development and Risk Service

39. The Committee was updated on the impact of changes on UNHCR, its workforce and footprint, together with major organizational shifts driven by the High Commissioner's plan of action.

40. The Committee was briefed on ongoing work of the Service related to the definition of options for a new operating model, the optimization of roles, structures, and the policy framework, change management support, and coordination of the organization's approach to value-for-money.

41. The Committee was updated on efforts to finalize an organizational-level risk appetite statement, an update of the Strategic Risk Register and analysis of the annual operational risk review.

42. The Committee:

(a) Recognized the importance of the policy, risk and organizational design capacity of this Service.

(b) Noted the potential for a finalized risk appetite statement to contribute to organizational decision-making.

5. External relations, including fundraising

43. The Committee was briefed on funding patterns and shifts, the impact of increasing earmarking of funds available, and efforts made to publicize these trends.

44. The UNHCR funding model was discussed, including options considered, stakeholder engagement, and plans to reduce long-term dependencies, while enabling rapid emergency response.

45. The Committee:

(a) Noted the importance of fully demonstrating and addressing the impact of earmarking and funding gaps, including decisions and prioritization approaches.

6. Emergency and programme support

46. The Committee was briefed on efforts to reformulate the organization's direction as the current five-year strategic directions close in late 2026. The Committee noted the guidance provided to operations for 2027 planning, supporting alignment with the High Commissioner's directions in the transition.

47. The Division of Emergency and Programme Support commented on lower partnership numbers and budgets in 2026, as well as ongoing reliance on the organization's risk-based partnership framework to manage partnerships in a fluid environment.

48. The Committee:

(a) Encouraged UNHCR to ensure that the development of a new set of strategic directions consider all available evidence, including that obtained through oversight providers.

7. Protection and solutions

49. The Committee was briefed on risks resulting from the impact of the downsizing exercise on protection functions and challenges in delivering protection and solutions. The importance of clear prioritization and effective coordination with other actors to ensure

delivery of core mandate activities were underscored, taking into consideration the challenges involved.

50. The Committee:

(a) Noted efforts to shape an appropriate operating model to support these activities and the critical enabling role of innovative mechanisms and technology.

8. Information technology and Global Shared Services

51. The Committee was briefed on the impact of the downsizing exercise on the information technology function and efforts to adapt to these circumstances.

52. The Committee was updated on efforts to improve data accessibility for informed decision-making, increase the use of technology, and advance implementation of Global Shared Services.

53. Potential opportunities to streamline and simplify systems were highlighted, eventually allowing for a move to default service platforms and increased alignment across the United Nations system.

54. The Committee:

(a) Encouraged continued exploration of avenues for simplification and streamlining, as UNHCR revises its operating model.

9. Operations

55. The Committee was briefed by the Assistant High Commissioner (Operations) and a Director representing the regional bureau perspective regarding the impact of the downsizing on operations. Approaches taken to rationalize the organization's field presence and centralize transactional processing were highlighted.

56. The shift in operational strategies, programming tools and workforce skillsets required to pursue increased refugee self-reliance was highlighted, as was the need for inclusive host government policies and services.

57. The Committee:

(a) Urged that principles underpinning programmatic shifts be documented and subject to evaluation, allowing this to underpin the ongoing new strategy development.

III. Other matters

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

59. The Committee undertook a periodic review of its terms of reference, identifying no elements requiring formal amendment, and initiated its self-assessment at the close of the reporting period.
