

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

Distr.: Restricted  
29 August 2018  
English  
Original: English and French

**Standing Committee**  
73<sup>rd</sup> meeting

---

**Report of the Independent Audit and Oversight  
Committee, 2017-2018**

*Summary*

At its fifty-first meeting in June 2011, the Standing Committee established the Independent Audit and Oversight Committee “to serve in an expert advisory capacity to assist the High Commissioner and the Executive Committee in exercising their oversight responsibilities in accordance with relevant best practices, industry standards and the financial and staff regulations applicable to UNHCR”. This is the sixth annual report of the Committee, covering the period from July 2017 to June 2018. It is submitted in accordance with section five of the Independent Audit and Oversight Committee’s terms of reference, EC/62/SC/CRP.24/Rev.2.

## Contents

<i>Chapter</i>	<i>Paragraphs</i>	<i>Page</i>
I. Introduction .....	1-2	3
II. Summary of activities.....	3	3
III. Main observations and recommendations .....	4-34	3
A. Oversight .....	4-5	3
B. Accountability.....	6	4
C. The Inspector General’s Office.....	7-8	4
D. Evaluation.....	9	4
E. Ethics .....	10	4
F. Internal audit.....	11	5
G. External audit.....	12	5
H. Risk management.....	13-15	5
I. Fraud prevention.....	16	5
J. Change management.....	17-19	6
K. Financial management .....	21-22	6
L. Human resources management .....	23	6
M. Emergency, security and supply .....	24-25	7
N. Cyber security.....	26-28	7
O. Programme support.....	29-30	7
P. External relations .....	31-32	7
Q. Protection.....	33	8
R. Sexual exploitation and abuse and sexual harassment .....	34	8
IV. Acknowledgements .....	35	8

## **I. Introduction**

1. The Independent Audit and Oversight Committee (IAOC), hereinafter also referred to as the Committee, comprises five members, selected and appointed by the High Commissioner with the consent of the Executive Committee. Current members are: the Chairperson, Mr. Sam Karuhanga (Uganda/United Kingdom of Great Britain and Northern Ireland); Vice-Chair, Ms. Lynn Haight (Canada); and three newly appointed members Mr. Suresh Raj Sharma (Nepal), Mr. Honore Ndoko (Cameroon) and Ms. Malika Aït-Mohamed Parent (France) who replaced Mr. Salleppan Kandasamy, (Malaysia), Ms. Mari Simonen, (Finland) and Mr. Verasak Liengsrirawat (Thailand), whose tenures ended in May 2018.

2. Members of the IAOC, serving in an expert advisory capacity, are independent of UNHCR and its management. The Committee's work is guided by its terms of reference (EC/62/SC/CRP.24/Rev.2), UNHCR's policies, financial and staff regulations applicable to UNHCR and relevant industry standards and best practices.

## **II. Summary of activities**

3. The Committee met in two formal sessions at UNHCR's Headquarters in Geneva, Switzerland, from 16 to 19 October 2017 (17<sup>th</sup> session) and from 19 to 22 February 2018 (18<sup>th</sup> session). The agenda for each session was based on an agreed work plan covering: (i) oversight, fraud prevention and lessons learned, (ii) UNHCR's internal control framework and risk management; (iii) change management; (iv) management of organizational risks and enhancement of performance and accountability, including in relation to financial management, enterprise risk management, organizational structures and information technology. The Chair, Mr. Sam Karuhanga, also participated in the second meeting of representatives of the United Nations system oversight committees, hosted by the United Nations Independent Audit Advisory Committee (IAAC), on 12 and 13 December 2017.

## **III. Main observations and recommendations**

### **A. Oversight**

4. Since the external review of UNHCR's oversight function in 2016 and the recommendations that were subsequently endorsed by the High Commissioner, UNHCR has made progress in strengthening oversight and risk management. The IAOC recognized UNHCR's willingness to take a risk-based approach to planning and operational management and to integrate it as part of management practice across the organization, together with strengthened accountability. The IAOC was of the view that UNHCR's Risk Management 2.0 initiative has the potential to improve significantly the risk culture across the organization. However, the Committee encouraged UNHCR to finalize its overarching oversight policy framework.

5. The Committee referred in this context to the IAAC's emphasis on the need for "a common, recognized and credible approach across the United Nations system to risk management and integrated assurance and control", and to the endorsement by the IAAC of the "three lines of defence" model as promulgated by the Institute of Internal Audit and the Committee of Sponsoring Organizations of the Treadway Commission. The IAOC was very pleased to see that UNHCR has taken this on board and commended the organization for developing its "three lines of defence" model.

## **B. Accountability**

6. The IAOC continued to encourage UNHCR to strengthen accountability for performance, conduct, professionalism and achievement of the organization's objectives. The Committee was of the view that UNHCR can improve accountability by establishing an effective integrated internal control framework. The ongoing organizational review and change management initiative provide UNHCR with an excellent opportunity to establish such a framework. The Committee strongly endorsed UNHCR's "three lines of defence" model and the advisory on the second line of defence from the United Nations Office of Internal Oversight Services (OIOS). It considered that UNHCR should make best use of these tools to define workforce responsibilities and the accountabilities of different functions across the organization. A strong internal control framework will, in addition, permit UNHCR to identify more effectively risks posed to the achievement of its objectives and the requisite mitigation measures. Then it remains for the organization to hold staff accountable in a more stringent manner than has been the case hitherto.

## **C. The Inspector General's Office**

7. The IAOC appreciated the regular updates from the Inspector General on implementation of the external consultant's recommendations and was pleased to see that the Strategic Oversight Service is fully staffed and functioning. The Committee commended the Inspector General's Office (IGO) and OIOS UNHCR Audit Service for having improved collaboration, while recognizing the independence of internal audit. In addition, the conclusion of a detailed and updated Memorandum of Understanding between UNHCR and OIOS was seen as a positive step. The Committee encouraged the IGO to expedite the establishment of the required data analysis tools.

8. The IAOC noted that the IGO is now conducting proactive investigations, which it considered as the right approach and encouraged the IGO to continue this practice. The Committee noted the continued increase of the workload linked to rising numbers of allegations received by the organization, as well as the growing complexity of UNHCR's operational context. UNHCR management must therefore continue to resource investigations adequately and recognize the inherent financial and reputational risk that could occur, should resources be insufficient.

## **D. Evaluation**

9. The IAOC noted UNHCR's efforts to professionalize its evaluation activities, increase the number of evaluations conducted and improve overall quality and encouraged UNHCR to resource a reasonable number of evaluations on an annual basis. The Committee fully endorsed UNHCR's evaluation strategy and its plans to increase the number of centralized evaluations each year between 2018 and 2022, introduce a systematic annual consultative approach to the generation of topics and launch focused and lighter rapid evaluations.

## **E. Ethics**

10. The IAOC supported UNHCR's current values-based approach and the greater emphasis the Office placed on diversity and inclusion and underscored the importance of practical implementation. UNHCR is encouraged to explore further alternative ways (including best practices identified by sister agencies) of complying with United Nations requirements on financial disclosure.

## **F. Internal audit**

11. The IAOC met with OIOS UNHCR Audit Service at each session and was able to review its plans and progress reports. The Committee was satisfied with both the planning and the progress made during the year. The Committee noted the continued average output of 30 reports a year and appreciated OIOS' emphasis on quality and efforts to shape the service and to build capacity for the audit of programmatic areas and protection. The IAOC noted UNHCR's actions to improve response time with respect to long outstanding internal audit recommendations. While progress has been made in some areas and by some operations, the Committee nonetheless encouraged UNHCR to prioritize further critical recommendations, particularly those that have been outstanding since 2013.

## **G. External audit**

12. The IAOC met with the Board of Auditors at each of the two sessions. The Committee commented on the detailed planning and priorities and was pleased to note the good cooperation and information exchange between the external audit and internal audit entities.

## **H. Risk management**

13. The Committee noted the launch in 2018 of UNHCR's Risk Management 2.0 initiative and recognized that this is a step-up in embedding risk management in day-to-day work. However, the IAOC also cautioned the organization about potential drawbacks in introducing an additional resource to which responsibility for enterprise risk management may be ascribed, rather than including the concept in operational planning and management.

14. The IAOC welcomed the High Commissioner's risk management initiative and noted that weakness in accountability was a potential reputational risk. A strong internal control framework will permit UNHCR to identify effectively risks posed to the achievement of the organization's objectives and the requisite mitigation measures. The Committee has considered measures taken by UNHCR in risk management, integrated assurance and internal controls.

15. The IAOC noted the development of UNHCR's corporate and strategic risk registers and considered it imperative for UNHCR to integrate risk awareness into its daily activities as part of management practice across the organization, rather than a periodic update process. UNHCR should plan to conduct an independent risk maturity assessment, by the end of 2019.

## **I. Fraud prevention**

16. The IAOC focused on UNHCR's fraud prevention mechanisms, including recent policy guidance, during the reporting period and has taken note of UNHCR's responses to and lessons learned in relation to fraud. Through the session, the Committee gained insight into specific challenges faced by the organization and its responses, including the measures that were put in place to strengthen fraud prevention. Following the consideration of UNHCR's management of fraud prevention, the Committee is of the view that UNHCR should appoint a Senior Adviser, responsible for bringing all the fraud treatment activities together and guiding the organization's public response, including to donors and the media, to ensure coherence. This role would be distinct from the functions of the owner of the fraud policy.

## **J. Change management**

17. The IAOC considered UNHCR's change management process, including the ongoing restructuring of the Headquarters in Geneva. The Committee welcomed this much-needed initiative and the sense of urgency that came across, as well as the simplification and creation of different work streams that address the challenge of "working in silos". Change management provides an opportunity for UNHCR to consolidate its ongoing and concurrent initiatives.

18. The Committee expressed the view that external input, significant culture change and a clearer definition of accountabilities at all levels are necessary to achieve the required redirection. UNHCR will benefit from lessons learned through other successful projects, such as the Management Systems Renewal Project (MSRP). The IAOC also recommended that UNHCR develop a communications strategy and considers drawing on the services of a professional communications firm.

19. The Committee reiterated its earlier recommendation to UNHCR to develop an integrated framework, analogous to those used in other organizations such as the European Commission, to ensure that responsibilities are clearly defined and without overlap or gap. UNHCR is also encouraged to take the OIOS recommendations in its "second line of defence" advisory fully on board in the ongoing implementation of the Headquarters review and to focus on improving accountability, particularly at the first and second lines of defence. Such an approach will contribute to the development of an integrated internal control framework and provide a clearer basis for other priority initiatives within the organization.

## **K. Financial management**

21. The IAOC took note of UNHCR's exposure to high financial risk due to its reliance on only two or three major donors and the volatile environment in which the organization operates. The Committee considered it essential for UNHCR to identify mitigation measures for these risks, particularly those related to liquidity, and reiterated the importance of having scenarios in place for an unforeseen funding emergency; for example, a scenario for rapid downsizing could be required. The IAOC emphasized the importance of ensuring a substantive supervisory role for the Controller in relation to financial management in the field. This could be achieved in a number of ways, including by strengthening collaboration and linkages within the decision-making structure for both programming and administrative budgets.

22. The IAOC recommended that Representatives should be required formally to certify their operation's compliance with UNHCR's financial rules as part of completion of the financial statements at year-end. The Controller's certification would, among other considerations, be based on the certification made by the Representative or Chief Officer.

## **L. Human resources management**

23. The IAOC noted UNHCR's efforts to strengthen management of human resources, including through a review of the Division of Human Resources Management by a consulting firm. The Committee continued to emphasize the need for a performance assessment that would assist management and strengthen accountability. Such a system requires that individuals are trained, promoted, coached, incentivised and contracts are terminated on the basis of documented and recognized performance standards. The Committee believes that most of these elements exist in the current human resource system, but that there is an uneven compliance with the basic tenets of personnel management. UNHCR was recommended to consider models of performance assessment implemented by other agencies and identify means to ensure that there are consequences for poor performance.

## **M. Emergency, security and supply**

24. The IAOC was briefed on the Emergency Preparedness Policy issued in 2017. It encouraged UNHCR to ensure that all operations are moved to as full an emergency preparedness as is possible, understanding that governments may not always be in a position to respond rapidly.

25. The Committee understood that management oversight mechanisms were in place to ensure emergency preparedness, but considered that UNHCR's emergency response management would benefit from a greater emphasis on managerial accountability in key areas, including procurement by partners and also potentially by early involvement by the internal audit service.

## **N. Cyber security**

26. In its report of 2016-2017 (EC/68/SC/CRP.28), the IAOC emphasized the importance of ensuring cyber security and was pleased to note the issuance of instructions to all staff concerning mandatory cyber security training.

27. The Committee was also pleased to note that progress was made in relation to disaster recovery planning, with major systems such as MSRP, e-mail, FOCUS and key websites being equipped with standby disaster recovery capacity, while work had begun on disaster recovery for proGres V4. The IAOC recommended that UNHCR's Senior Management adequately resourced the action plan to achieve the desired level of maturity in IT security.

28. The IAOC is of the firm opinion that protection of data on persons of concern to UNHCR should be strictly upheld and was concerned to learn that many operations have developed alternative IT systems to manage data on persons of concern to the Office. The Committee encouraged caution in the use of such systems, which may lack the rigorous data protection safeguards required.

## **O. Programme support**

29. The IAOC noted UNHCR's plans for creating an external interface of the results-based management system and inclusion of the sustainable development goals in the requirements for the revised system. The Committee also noted a number of other stated design principles, including interoperability and hand-held data collection devices and reiterated the need for simplification, recommending the use of "off-the-shelf" solutions wherever possible. In addition, the IAOC strongly supported the plan to keep indicators manageable. The secure management of data of persons of concern is a significant priority.

30. The Committee noted the continued roll out of UNHCR's biometric identity management systems, currently being used in 46 countries and scheduled to be deployed to a total of 70 operations by the end of 2019. The IAOC urged UNHCR to ensure close collaboration between the various concerned entities in order to support efficient and uniform registration, including biometric registration, in all locations.

## **P. External relations**

31. The IAOC emphasized the importance of the Headquarters' management overview and oversight of the range of national fundraising offices, and noted the inherent risk where such oversight was lacking.

32. The Committee took note of the solid record of UNHCR's Division of External Relations in delivering strong private sector income growth, including the successful

fundraising in 2017 by the Private Sector Partnerships Service that resulted in an income of \$400 million, of which \$207 million was fully unearmarked. Nonetheless, the IAOC considered that UNHCR will need to improve flexibility, agility and oversight when carrying out fundraising activities with partners.

#### **Q. Protection**

33. The IAOC emphasized the importance of safeguarding and reinforcing UNHCR's protection mandate in all programme planning and implementation. The Committee considered that the substantive supervisory lines between the Division of International Protection and protection staff in the field should be strengthened and that authorities and accountabilities for protection delivery, results, monitoring and reporting should be more precisely defined in relation to the division and protection staff in the field. The IAOC noted the recent issuance of a policy on fraud committed by persons of concern.

#### **R. Sexual exploitation and abuse and sexual harassment**

34. The IAOC noted that UNHCR has launched a new strategy and action plan to eradicate sexual exploitation and abuse and sexual harassment in the workplace and looks forward to the implementation of the plan in the operations.

### **IV. Acknowledgements**

35. The Committee expressed its appreciation for the support and cooperation of the High Commissioner, the Deputy High Commissioner and UNHCR staff, including in the IAOC Secretariat. The Committee appreciated and benefitted from the presentations and briefings received from UNHCR senior management, OIOS and the United Nations Board of Auditors.

---