Follow-up to the recommendations of the Board of Auditors on the financial statements for previous years EC/67/SC/CRP.5

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Controller and Director
Division of Financial and Administrative Management

65th Standing Committee
15-17 March 2016

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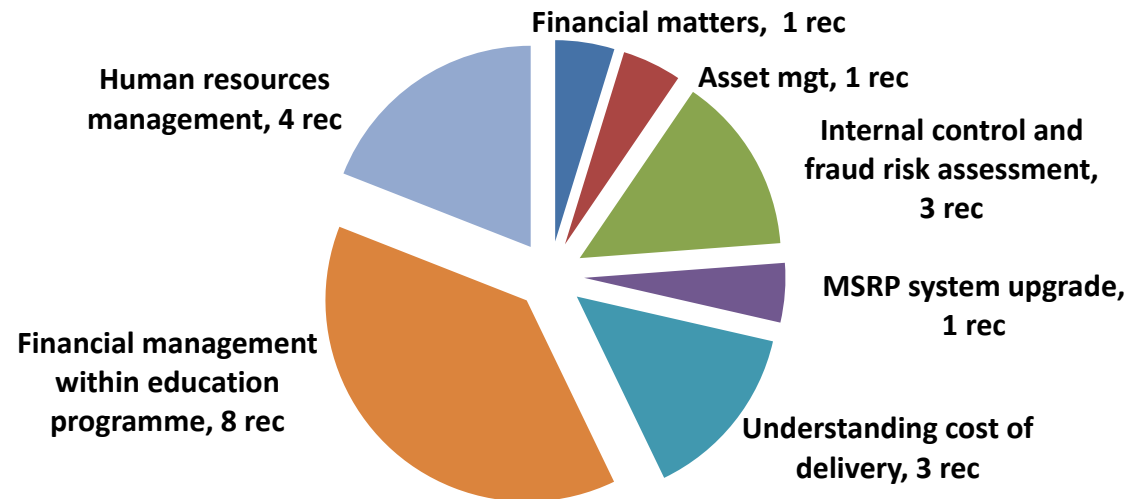The UN Refugee Agency

External Audit

- The UN Board of Auditors carries out an annual audit of UNHCR's financial statements

- UNHCR's current external auditor is the National Audit Office of UK until 30 June 2016; as of 1 July 2016 the Federal Court of Audit (FCA) of Germany will be the new external auditor

- The Board reviews implementation of the recommendations

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Findings and recommendations in 2014

Recommendations issued per area

Financial matters, 1 rec

Asset mgt, 1 rec

Internal control and fraud risk assessment, 3 rec

Human resources management, 4 rec

MSRP system upgrade, 1 rec

Financial management within education programme, 8 rec

Understanding cost of delivery, 3 rec
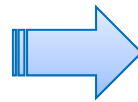
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Key issues and measures taken

A. Financial Matters

Board recommendation:

- Work with donors to improve profiling of resources to facilitate better forecasting

UNHCR Actions:

- ✓ Forecasting has been increasingly accurate in the last few years

- ✓ Pursuing multi-year contributions

- ✓ Sought to improve the systems for recording and reporting; and institute control mechanisms to enhance accuracy of data
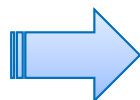
- ✓ Closer collaboration with donors

UNHCR considers this recommendation as closed

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Key issues and measures taken

B. Asset Management

UNHCR Actions:

Board recommendation:

- Collect metrics and demonstrate realization of planned benefits in the GFM

✓ An independent assessment has been conducted confirming the project is on track and benefits being realized

✓ INSEAD was engaged to continue monitoring and analysis of the results

✓ Findings of this study forms the basis for the development of specific financial reporting criteria on the use of global fleet

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Key issues and measures taken

C. Internal control and fraud risk assessment

Board recommendation:

- Adopt data analytics to review compliance to key controls and build them into a systematic process

- Enhance internal risk-based verification process

- Establish clear time frame for fraud risk assessments and mitigation plans
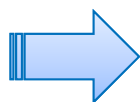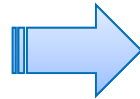
UNHCR Actions:

- ✓ Implementing GRC modules that enables analytics to review compliance with key controls and identify control exceptions or unusual transactions

- ✓ Policies to improve monitoring of reports by partners, and risk-based verification of projects are rolled out (full implementation expected end of 2016)

- ✓ Most relevant fraud risks were identified and assessed against the internal control framework to identify mitigation measures. Basic e-learning will be rolled out in 2016 to raise fraud and corruption awareness

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Key issues and measures taken

D. MSRP Upgrade

Board recommendation:

- MSRP upgrade project - draw up clear statement of benefits and enhance project risk process

UNHCR Actions:

- ✓ UNHCR to develop a statement of benefits plan in respect of the 18 key priorities identified

- ✓ MSRP upgrade project risks have been mapped out, with mitigation measures put in place

Key issues and measures taken

E. Understanding cost of delivery

Board recommendation:

- Scrutinize and disclose implementing partners administrative costs

- Further develop the annual programme review process in terms of challenging efficiency in programme budgets and to identify the key efficiency outcomes

UNHCR Actions:

- ✓ UNHCR will continue to strengthen the process of reviewing partner expenses

- ✓ Introduced an additional note to the financial statements of 2015, disclosing the total contributions to project headquarters support costs of international partners

- ✓ UNHCR reviews, assesses, documents and approves systematically each year what it considers to be the optimal use of funds in each area

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Key issues and measures taken

F. Financial management in education programme

Board recommendation:

- Strengthen the process of scrutiny to further challenge the cost-effectiveness of proposed interventions & develop performance metrics to enable comparison

- Analyse better the linkages between costs and outcomes

- Standardize performance indicators and their selection

UNHCR Actions:

✓ Established cross divisional working group to review existing processes and provide guidance for the analysis of cost-effectiveness and selection of indicators

✓ Developing a data management system that facilitates data collection using standardized education indicators across various locations with different refugee settings and education systems

✓ Invested in capacity-building for staff and partners on education data management by developing training materials and conducting regional workshops

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Key issues and measures taken

G. Human Resources

Board recommendation:

- Senior management to review workforce data

- Plan future staffing requirements to better align workforce with demand

- Streamline process on staff deployment/redeployment
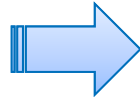
UNHCR Actions:

- ✓ DHRM now submits workforce data to the Senior Management Committee (SMC) for periodic review

- ✓ UNHCR's People Strategy has been released establishing a system to analyse trends that affect demand for the number, location and skills of staff

- ✓ UNHCR remains focused on developing better mechanisms to review applications and analyse all options to make the deployment process more responsive and timely

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Conclusion

- Addressing the Board's recommendations is a management priority and there have been notable progress

- Board's findings and recommendations have allowed UNHCR to focus its resources on the most relevant risk areas

- UNHCR will continue to take action to address them and reiterates its commitment to improving procedures, systems and controls in order to mitigate the identified risks

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Thank you

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