

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

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**Report of the Independent Audit and Oversight  
Committee, 2018/2019**

*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 seventh annual report of the Committee, covering the period from July 2018 to June 2019. It is submitted in accordance with section five of the Independent Audit and Oversight Committee’s terms of reference, EC/70/SC/CRP.5/Rev.1, Annex I.

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## **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, Ms. Lynn Haight (Canada); the Vice-Chair, Dr. Suresh Raj Sharma (Nepal); Mr. Honore Ndoko (Cameroon), Ms. Malika Aït-Mohamed Parent (France) and Mr. Egbert Kaltenbach (Germany), who replaced Mr. Sam Karuhanga (Uganda/United Kingdom of Great Britain and Northern Ireland) whose tenure 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/70/SC/CRP.5/Rev.1, Annex I), 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 three formal sessions at UNHCR's Headquarters in Geneva, Switzerland, from 29 October to 1 November 2018 (19<sup>th</sup> session), from 11 to 13 March 2019 (20<sup>th</sup> session) and from 24 to 26 June 2019 (21<sup>st</sup> session). The agenda for each session was based on an agreed workplan covering UNHCR's internal control framework, risk management and oversight, which primarily impacted finances. The Chair also participated in the third meeting of representatives of the United Nations system oversight committees, hosted by the United Nations Independent Audit Advisory Committee on 11 and 12 December 2018.

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

### **A. Transformation**

4. The IAOC agrees that the eight ongoing and interlinked change initiatives, of which the regionalization and decentralization process is the most visible, are essential for UNHCR achieving greater effectiveness in delivering on its mandate. Thus, the Committee strongly supports this ambitious transformation project.

5. Initially, the Committee had some reservations relating to the overall project governance, the in-house execution ability needed for success, and the levels of internal communication and understanding of the project's objectives among the staff. The Committee was pleased to observe that many of its concerns were mitigated over the course of the reporting period. A change governance board was set up, all project leaders were placed, and transition task teams were established for each regional bureau as part of the regionalization work stream. Furthermore, an excellent series of internal communications called "transformation briefs", was disseminated to assist staff globally to stay abreast of the different stages of progress, with contacts for questions and further follow-up. The Committee appreciated the use of external expertise for transition management where needed. The IAOC was assured that UNHCR would be ready to commence the new organizational format in January 2020. For these change initiatives, the leadership of the High Commissioner, the Deputy High Commissioner and the senior management team must be recognized.

6. The IAOC also strongly supports the foreseen matrix accountability system, with "dotted-line" reporting to functional centres such as the Division of Finance and Administrative Management (DFAM), something which has been encouraged in the past by the Committee. This is expected to mitigate potential risks of fragmentation of practice across bureaux, support internal controls and allow for specialized scrutiny.

7. Certain areas of work are yet to be completed, including the comprehensive mapping of significant training needs following the human resources alignment, clarification of authorities and accountabilities and a new resource allocation framework. In addition, the implementation of the remodeled results-based management framework promises to be an extensive and ambitious undertaking that aims at comprehensively addressing objectives of three globally endorsed frameworks (Global Compact on Refugees, the sustainable development goals and Sphere standards), while at the same time acknowledging the need for simplicity and user-friendliness. An end date for the transformation initiative has yet to be provided, as well as the cost of both the change streams and ongoing operations, keeping in mind that the decentralization work stream is foreseen to be cost-neutral.

8. The Committee had some reservations in relation to the progress. Firstly, acceptance of the risks related to front-line decision-making has been and will be difficult to introduce and sustain. To this end, accountability will be all-important. The IAOC was of the view that management must encourage decisions that seek consensus at necessary operational levels only and be ready to mentor and support staff whenever errors occur. The IAOC suggested to take the opportunity provided by the regionalization to consider introducing 360-degree assessments, at least for middle and senior managers.

9. Secondly, in the extensive work undertaken to match individuals to new positions, the IAOC recommended that the UNHCR should take the opportunity to refresh the workforce with skills demanded by the organization's longer term strategy. Commercial enterprises in the current environment do not consider lifetime employment without significant training.

10. Thirdly, the necessity of providing intense management training to Representatives was considered of utmost importance, as has been repeatedly raised by the Committee. This would improve the "tone at the top" and enhance the mentorship that a trained country manager can provide to the entire country staff.

## **B. External audit**

11. The Committee was able to discuss in depth the audit plan of the Board of Auditors before their audit commenced and again immediately prior to field work. The IAOC generally supported the plan presented and concurred with the emphasis placed on strengthening and monitoring internal control over cash-based interventions, supply chain management and risk management interventions. Prior to finalization of the audit work, the Committee had the opportunity to discuss the findings and draft recommendations and to hear the organization's preliminary responses from the Controller.

12. The IAOC recommended that UNHCR should closely monitor the Board's recommendations from previous years that are still under implementation and supported the intention to come to a closure on recommendations related to the sustainable development goals as soon as possible.

13. The Committee suggested the external auditors explore further the extent to which the Board of Auditors can place reliance on the work of internal audit.

## **C. Internal oversight bodies**

### **(a) Internal audit**

14. The IAOC received the definition of risks based on which the internal auditors had formulated their 2019 plan. The Committee was informed about specific audits to be undertaken and decisions not to audit areas due to immateriality, recent satisfactory assessments or a lack of resources. The Committee had the opportunity to enquire about the plan's rationale and about how Internal Audit included relevant strategic risk register items in their analysis.

15. The Committee fully supported the risk-based approach to audit planning used by Internal Audit for thematic, field and headquarters engagements. The IAOC also endorsed

the scope of audit coverage and the inclusion of some operation-based protection aspects. By mid-year, the internal audit plan was found to be on track despite two vacancies in the unit.

16. Although Internal Audit reported more prompt management action than in previous years, 62 per cent of pending recommendations were past due date at the last IAOC session, and this has yet to significantly improve. Some mitigation action to address audit recommendations appeared to lack sustainability, given the recurrence of some recommendations over time.

17. With the regionalization process, it is expected that the regional oversight functions will support audited operations by monitoring and facilitating a discussion on issues, their root causes and potential solutions.

18. Of particular importance was the need for clarification of roles and responsibilities in emergency responses, as well as for follow-up by UNHCR where the quality control of audits of implementing partners found issues with the quality of the audit certificates submitted. It is expected that the decentralization process will ensure that, at country level, there will be more qualified staff to assist in these tasks.

19. In light of increasing donor interest in internal audit provided by the Office of Internal Oversight Services (OIOS) in New York, the IAOC has understood that the OIOS management is in the process of reviewing the messaging of internal audit reports, both quantitatively and qualitatively. The IAOC believed that comprehensive management responses to audit findings, always referring back to UNHCR priorities, are needed to enhance understanding by Standing Committee members.

**(b) Inspector General's Office**

20. The IAOC acknowledges that the reorganization of the Inspector General's Office (IGO), originally contemplated in 2016, will be completed as anticipated by the end of 2019, and has been conducted smoothly and professionally. The recruitment of an external Inspector General, as previously recommended, is underway with an expected start date of January 2020.

21. The Committee noted that the policy on independent oversight had been in development for some months. This policy would help to clarify and communicate the oversight landscape and should be completed as soon as possible. Further, it should guide the process of placing the overall assurance framework on guard against gaps or duplication in coverage and promote a holistic response to recurring issues identified by oversight entities.

22. Statistics relating to misconduct complaints continued to increase, recording a rise of 71 per cent in 2018 compared to 2017. Processes of triage, preliminary assessment and prioritization of cases before commencing investigations and the achievement of handling 70 per cent of misconduct complaints within four weeks were acknowledged.

23. The IAOC took note of the large number of interlinked investigations taking place in the operations in Kenya and Uganda. The Committee did not add to reports on the subject beyond noting that, given the sensitive contexts in many operational locations, UNHCR's large workforce is amongst the most vulnerable of the United Nations agencies. The Committee believes that a speedy resolution of any pending investigation must take place as soon as possible. With due regard to confidentiality requirements and due process rights of individuals, the investigation outcomes and responses to inaccurate media reports must be published. Transparency is owed to all, and longer timelines of investigation and response create the perception of slow reactivity or inaction.

24. While in a commercial enterprise of similar size to UNHCR, proactive investigations prompted by unexpected variances in data or increased use of artificial intelligence could be expected, these are currently not possible in light of the workload and given the Investigation Service's workforce of 11 investigators. Furthermore, the

need to protect witnesses against retaliation and new challenges related to transnational and cybercrime add to the resource requirements of the Service.

25. An incremental upgrade of both personnel and professionalism in the Investigations Service since 2015 was acknowledged but may not be enough to comfortably meet the above requirements and challenges. The IAOC understood that the ongoing Joint Inspection Unit review of the state of the investigations function in the United Nations system would provide base indicators for investigative capacity requirements, but a final report was not expected shortly and the consideration of further resourcing for investigations should not be held up.

26. The number of disciplinary actions taken in 2018 increased significantly compared to 2017, which the IAOC felt was a positive indicator of decisive action against misconduct. The annual report on disciplinary actions published by the High Commissioner was well received. The Committee heard that, whatever their contractual status, perpetrators are subject to disciplinary action, including dismissal. However, pursuit of national staff in their own country is in certain cases problematic and reports made to local law enforcement may not be promptly acted upon, potentially giving the internal and external stakeholders the impression that perpetrators enjoy impunity.

**(c) Evaluation**

27. The IAOC noted continued improvement in the workplan implementation, as well as the professionalism and independence demonstrated by the Evaluation Service. Frequent interaction should take place between the Evaluation Service and management to ensure that findings are reflected in future action plans and used as the basis for long term changes in future programming.

28. The IAOC was of the opinion that the output of the Evaluation Service should be used in the formulation of the next strategic plan.

29. With time, it may be easier for the Evaluation Service to further reduce the per-unit cost of evaluation and benchmark outputs and methods with the United Nations Evaluation Group.

**D. Other functions**

**(a) Financial and administrative management**

30. International funding commitments covered only between 50 and 60 per cent of the needs-based budget in 2018, while the numbers of persons of concern increased. Additionally, uncertainty was created by delayed disbursement of funding, coupled with a low percentage of un-earmarked funding at around 15 per cent. These three factors rendered cash flow forecasting an extremely difficult exercise for DFAM. The IAOC emphasized the need for a plan to access additional sources of liquidity and capital, and supported the Standing Committee's call at its seventy-fifth meeting in June for more un-earmarked funding.

31. With respect to financial statements, the IAOC reiterated its view that IPSAS 23 revenue recognition does not provide to the donors, nor the organization itself, a meaningful picture of the sources and uses of revenue during the period under examination. The Committee thus supports the Controller's proposition of "IPSAS light", which would clarify the annual revenue and expense movements.

32. The IAOC noted that the initial version of the statement on internal control is scheduled for March 2020, but believes that the statement should be completed by January 2020, when the new regionalization and country organization charts with position descriptions are rolled out.

33. The IAOC was of the opinion that functional reporting from field finance officers to DFAM would improve financial issues through more rigorous on-the-spot monitoring of programme expenses, local contract committees, and implementing partners' activities.

34. The Committee congratulated the Controller on his efforts towards automation of standard processes in DFAM, which would improve efficiency and accountability, and strengthen internal controls. The development of artificial intelligence for early detection and examination of unusual transactions and ultimately for forecasting was also supported. Continued exploration of shared back offices with other United Nations agencies, such as UNHCR's after-service health insurance (ASHI) reserves participating in the World Health Organization (WHO) pooled partitioned Asset Fund, is both economical and in the spirit of United Nations reform.

**(b) Human resources**

35. The IAOC received the PwC review on UNHCR's human resources management, which essentially recommended current accepted business practices. The Committee noted that current transformation priorities have delayed implementation of this review.

36. The Division of Human Resources (DHR) has been deeply involved in the design of the new regional bureaux' organigrams, position descriptions and personnel allocation. The IAOC supported the establishment of human resources posts in regional bureaux, as this arrangement should ensure coherence between regions and provide more urgency in the resolution of human resource issues in the field.

37. The IAOC had not seen the plans for reskilling of staff at regional and field levels, but noted that this was becoming a priority. In the interest of staff morale and to prevent further financial loss or disruption to the broader transformation, this exercise in reallocation and training cannot be underestimated.

38. After completion of the regionalization effort, strategic workforce planning will be extremely important to prepare for the workplace reality over the next decade and the succession planning for senior roles. An examination of the incentives, rewards and conditions of service for a future entry-level workforce will also be required, as expectations will differ from those of the current staff.

**(c) Enterprise risk management**

39. The IAOC saw renewed efforts in this area and noted that the roll-out of risk advisers under the Enterprise Risk Management 2.0 initiative remained on track and was to be completed by end 2020. Some Senior Risk Advisors had concluded their assignments and were sharing lessons learned on embedding risk awareness. The Committee noted that roving risk advisers could provide a stopgap resource globally if needed, and that risk advisers would be included in every regional bureau by 2020, thus ensuring sustainability of the risk initiatives.

40. The IAOC welcomed the involvement of Enterprise Risk Management unit in the annual programme review process.

41. The strategic risk register has been formulated more succinctly and disseminated for the first time supporting UNHCR's efforts towards greater transparency within the organization and among Standing Committee members. There was also greater clarity about mitigation measures, which need continued reinforcement. These are discussed and updated quarterly by the Senior Executive Team. The IAOC was of the view that there should be a mapping between the corporate and strategic risk registers for even greater understanding throughout UNHCR.

42. IAOC had recommended a risk maturity review and noted that UNHCR is participating in a United Nations system pilot testing the maturity model through an external review.

**(d) Ethics**

43. The IAOC took note of the revised policy on protection against retaliation, which broadens the policy to include protection against the risk of retaliation. It also acknowledged a new process to sustainably engage staff on the code of conduct through annual training sessions.

44. Concerns reported through the recently introduced “speak up” helpline are assessed by a multi-functional triage team and referred to the competent unit for follow-up. Despite initial low usage, the IAOC emphasized the importance of continuing the helpline. The private sector practice of having independent third parties handle helplines was referred to, including the element of independence and credibility this brings, particularly where geographical distances are involved.

45. The IAOC noted the possible benefits for potential users and the overall organization in further clarifying roles and responsibilities of a number of independent units, including the Investigation Service within the IGO, Ethics Office, Ombudsperson, DHR/staff welfare and the Senior Coordinator for the Prevention of and Response to Sexual Exploitation and Abuse and Sexual Harassment. The entities participating in the monthly “conflict management coordination” meetings include the Legal Affairs Service, DHR/staff welfare, Ombudsperson and Ethics Office, which use different case management tools that are not compatible and thus do not allow for an integrated analysis from one source. These examples indicated that an effort may be needed to strike a compromise between the independence of, and cohesion among, these entities.

**(e) External relations**

46. From the meeting with the new Director and the documentation received, the IAOC noted that UNHCR was better equipped to proactively communicate ahead of audit reports and other significant external publications, where necessary.

47. The Committee also received the global communications strategy and noted the need to increase external understanding of the organization’s mandate and the Global Compact on Refugees.

48. The IAOC noted that the internal communication strategy is forthcoming by the end of the year and that efforts to date have been directed towards the “transformation brief”.

49. The IAOC supports the intent to increase proactive use of social media as well as the monitoring of related risks in order to enhance and support the public profile of UNHCR. Such initiatives are found to be absolutely necessary in commercial corporations in the current communication climate.

**(f) Information systems and telecommunications**

50. The IAOC found the Cybersecurity Transformation Programme to be on track, with a forthcoming administrative instruction to be issued. The IAOC supports the use of external expertise and outsourcing of computer operations wherever prudent. Approximately 75 per cent of system data is in the Cloud, thus making software alteration and addition more efficient and less expensive.

51. The IAOC noted that it would like to see the acceleration of implementation of recommendations on cybersecurity in the Deloitte report to achieve UNHCR’s desired maturity level as soon as possible.

52. The regionalization process may expose the organization to greater cybersecurity risks, and business connection and continuity in the field must be emphasized.

**(g) Registration**

53. The IAOC noted the plan to introduce ProGres v4 as fast as is feasible, from 14 countries in March 2019 to 125 countries by end 2020. The ProGres v4 system management



capabilities will continue to be maintained centrally throughout the regionalization process to control access privileges through a central directory.

54. The Committee noted that a third party penetration exercise had been conducted on ProGres v4 and understood that this would be repeated from time to time.

55. Currently reported intermittent issues of system availability and online availability in the field are being worked on and options to increase scalability and stability by uploading system data to the cloud are being explored. Future measurements of the gaps between target and actual system and online availability were encouraged.

56. The Committee acknowledged that UNHCR's ability to monitor the use of data related to persons of concern by third parties is limited, even in application of third-party agreements, in particular where States are responsible for registration.

## **E. Other observations**

57. The IAOC supported the vision of the Global Compact on Refugees. It considered the first Global Refugee Forum as an invaluable opportunity to set the tone for the coming years. At the same time, the organization was cautioned about the potential for diversion of UNHCR's traditional funding and the difficulties of impact measurement.

58. The current geopolitical instability and continued reduction in multilateral un-earmarked financing suggested that UNHCR should anticipate the next strategic cycle now to ensure that any changes in strategy are be discussed with Member States and the United Nations system in a timely fashion.

59. The IAOC shared concerns about aid diversion in high-risk countries where UNHCR is compelled by its governing instruments to intervene, even when clear and achievable objectives seem remote. Ultimately, trade-off decisions may be needed related to these interventions.

60. Experience amongst the IAOC members has demonstrated that the success of UNHCR's delivery on its mandate is determined by the constructive relationship with the host country and the assumption of their respective responsibilities. In situations where implementation of this working compact is compromised, there is little recourse for UNHCR. It is hoped that the Global Compact on Refugees will incentivize a strong basis for cooperation.

## **IV. Acknowledgements**

61. The IAOC would like to express appreciation to the senior managers and staff who made themselves available to meet the Committee and patiently answered questions about their important work; to the IAOC Secretariat who supported the meetings and reported with accuracy and good nature; and especially to the High Commissioner and the Deputy High Commissioner who found some of their valuable time for open-minded discussion with us.

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