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Consideration of reports on the work of the Standing Committee

**Programme budgets, management, financial control
and administrative oversight**

Financial statements for the year 2018 as contained in the Report of the Board of Auditors to the General Assembly on the audited financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees for the year ended December 2018

Report by the High Commissioner

Addendum

**Key issues and measures taken in response to the Report of
the Board of Auditors for 2018***

* As per the decision contained in paragraph 19 of A/71/12/Add.1, this document is not subject to the standard submission pattern for official documents and is excluded from simultaneous distribution.

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I. Introduction

1. This report provides an overview of the key findings of the United Nations Board of Auditors (the Board) from its audit of the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2018,¹ as well as the measures taken or proposed by the Office in response to the main recommendations issued in 2018 and those outstanding from previous years.

2. UNHCR prepared the financial statements for the year ended 31 December 2018 in accordance with the International Public Sector Accounting Standards (IPSAS). Following its examination, the Board concluded that the financial statements fairly presented, in all material aspects, UNHCR's financial position, financial performance and cash flows for the year ended 31 December 2018, in accordance with IPSAS. During the course of the audit, the Board visited UNHCR Headquarters in Geneva and the Global Service Centres in Budapest and Copenhagen. It also examined field operations in Egypt, Jordan and visited the Regional Office for South-Eastern Europe in Bosnia and Herzegovina. The audit was conducted primarily to enable the Board to form an opinion on UNHCR's financial statements and included a general review of financial systems and internal controls, as well as a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. The Board also reviewed UNHCR's operations under United Nations financial regulation 7.5, in order to make observations on the efficiency of the financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization. The Board commented, among other issues, on UNHCR's reform initiatives, risk management, internal controls, cash assistance to beneficiaries, implementing partner management, fleet management, the use of individual contractors, and information security and data protection.

4. The Board reported key findings and issued 64 new recommendations, 8 of which were related to the preparation of financial statements and 56 to the efficiency of financial procedures, the accounting system, the internal financial controls and, in general, the administration and management of the organization. The key observations issued by the Board under regulation 7.5 related to the following areas: (a) reform initiatives; (b) internal control frameworks; (c) cash assistance to beneficiaries; (d) implementing partners; (e) global fleet management; (f) the use of contractors and (g) information technology/cybersecurity and data protection.

5. As at 30 April 2019, of the 67 outstanding recommendations issued for 2017 and previous years, 35 recommendations (52 per cent) had been closed as implemented. The remaining 32 recommendations (48 per cent) were in the process of implementation at the time of the review. The Board noted continuing progress in implementing the outstanding recommendations and welcomed the overall progress made in closing many older recommendations issued between 2012 and 2015. The Board acknowledged that some recommendations still under implementation related to projects and initiatives which were still being rolled out or developed, such as UNHCR's engagement in the Sustainable Development Goals and the development of a revised results-based management (RBM) framework.

6. This document presents the Board's key findings for 2018 and outlines how UNHCR plans to address the identified risks. The paper also provides updates on the actions taken on key recommendations outstanding from 2017 and previous years. Matrices containing additional information on the status of implementation, follow-up for all 64 recommendations issued in 2018, as well as for the 32 outstanding recommendations from previous years, will be made available at <https://www.unhcr.org/standing-committee-meetings.html> under documentation for the seventy-sixth meeting.

¹ See A/74/5/Add.6.

II. Key findings relating to the 2018 financial statements

A. Financial overview

7. The Board confirmed that UNHCR remained in a strong financial position, with sufficient assets to meet its liabilities. It observed that the overall key financial indicators remained robust and that the level of demand for UNHCR interventions had further increased due to ongoing emergencies, an increased number of persons of concern and a continuously challenging donor environment. The Board also took note that for 2019, there was an increase of \$108.8 million in voluntary contributions and a decrease in the surplus of 123.7 million, while the funding gap between the global assessed needs and the available funds stood at \$3.51 billion.

8. The Board noted the high level of earmarked donations for specific situations, which created challenges for management to deploy resources flexibly to meet demand across all areas of activity. It also noted that UNHCR achieved its highest level of donor commitments as a result of its fundraising and donor conferences in 2018, while governments and intergovernmental organizations continued to be major donors of the organization.

B. Administration and management of the organization

Finance-related findings

9. In the Board's view, by UNHCR presenting the Staff Benefits Fund as a balance of liabilities and available funds, fund accounting and accrual accounting were commingled. It recommended that UNHCR revise this aspect in its presentation of the financial statements. UNHCR did not fully concur with this recommendation and stated that it considered the relevant IPSAS standard to be flawed. Nevertheless, it will consider revising the net asset presentation when the new IPSAS standard on revenue recognition is issued, which is expected soon.

10. The Board noted cases in which the date of entry on duty of a staff member that was used for the actuarial computation of the after-service health insurance (ASHI) benefits did not reflect the actual years of service within the United Nations system, but only the years of service at UNHCR. The Board was concerned that, in some of these cases, the ASHI liability might be understated and recommended a review of this aspect in consultation with other United Nations agencies. The Board also noted that UNHCR did not conclude agreements with other receiving or releasing organizations within the United Nations system regarding the health insurance liabilities or receivables associated with the movement of staff from one organization to another. To address the Board's recommendation, UNHCR submitted a proposal to the Joint Inspection Unit (JIU) for reviewing the current methodologies used within the United Nations system for calculating the number of years of duty as a basis for establishing ASHI liabilities. With regard to agreements with other United Nations organizations in connection with transferring staff members, UNHCR defers to the report of the Secretary General to the General Assembly on managing after-service health insurance (A/73/662, para 51), which states that United Nations agencies should accept the transfer of certain accrued health insurance benefits and entitlements, as well as the after-service health insurance liability, without the administratively onerous transfer of funding.

11. The Board found cases of assets purchased for transfer to partners or governments where agreements with the recipients did not exist or did not contain appropriate provisions. In response, UNHCR committed to reviewing the options to implement a consistent accounting process for the transfer of ownership transactions and to assessing the possibility to disclose the expenses resulting from direct transfer of ownership to other entities.

Reform initiatives

12. The Board observed that UNHCR is undergoing a number of reform initiatives. In its view, the decentralization project brings opportunities along with risks; well-coordinated reporting lines, accountabilities and authorities will be crucial for the success of the project. The Board urged UNHCR to use the new RBM tool to present the link between input, outcome and results, and to facilitate the alignment of country operations plans with inter-agency and multi-partner processes.

13. UNHCR concurred with the recommendations related to the reform initiatives and explained the actions being put in place to ensure the required continuum of coordination and monitoring at Headquarters as well as the strengthened support to country offices. UNHCR also provided further updates and current timelines for the revision of the RBM framework.

Internal controls: cross-cutting

14. The Board saw the upcoming decentralization and regionalization of UNHCR as an opportunity to implement additional controls in the field and to intensify clear monitoring trails at the second line of defence. In the opinion of the Board, the risk areas in the financial control matrix could be better scaled to reflect UNHCR's operational model and noted that the matrix should be updated on a regular basis. The Board did not find UNHCR's plausibility analysis of salary expenses adequate. It ascertained that UNHCR should increase the number of automated reports, run and document key human resources and payroll reports more frequently and strengthen follow-up action and supervisory controls.

15. UNHCR concurred with the recommendations. The Office has embarked on a project to enhance its internal control system and plans to issue a statement of internal controls which will accompany its future audited financial statements. UNHCR is also developing an improved variance analysis of salary payments and is analysing the possibilities for central monitoring and automating of human resources reports. It has already implemented new processes for documenting the results from running and reviewing payroll reports.

Internal controls: cash assistance to beneficiaries

16. The Board noted the need to strengthen the refund process in country operations and to further elaborate the frame conditions for cases of common cash facilities with commingled cash pools in order to improve the timeliness of refunds from financial service providers. In addition, the Board identified room for improvement in the reconciliation of cash distribution, controls to prevent duplicate payments and the post-distribution monitoring processes.

17. UNHCR accepted the recommendations, noting that standard operating procedures for country operations included provisions and timelines for claiming and monitoring the refunds received through financial service providers. In addition, UNHCR will include an automated notification in the CashAssist system regarding refunds. While, together with other common cash facility participants, UNHCR has a specific methodology for managing refunds, it will enhance monitoring to ensure compliance with refund requirements. UNHCR will also implement spot-checks in the monitoring of non-digital cash distribution. The Office has put in place systems and related controls to check for duplicate payments and will continue to systematically monitor this risk. UNHCR is currently conducting a meta-analysis of all post distribution monitoring conducted up to June 2019 and is committed to issuing a toolkit in September 2019 in multiple United Nations languages to provide guidance to country operations in this area.

Internal controls: implementing partners

18. The Board recommended that UNHCR digitalize some processes that are currently carried out offline and ensure that second and subsequent instalment payments to partners are justified. It found cases in which UNHCR procured assets and transferred them to an implementing partner, even though the project partnership agreement did not refer to any transfer of ownership.

19. UNHCR concurred with the recommendations and committed to digitalizing and centralizing the entire partnership process. As of mid-July 2019, UNHCR has amended the format of the project financial reports to strengthen the link between these reports and the instalments. It has also put measures in place to ensure that transfer of ownership agreements reference the partnership agreement symbol, where such an agreement exists.

Global fleet management

20. The Board encouraged the Office to incorporate the results of the evaluation report, which had been commissioned by UNHCR, in the next fleet strategy and to record and evaluate all operational data in the available analysis tools.

21. UNHCR concurred with the recommendations. It explained that the new global fleet management strategy covering the period from 2019 to 2021 was now finalized and that it incorporated the results of the evaluation report. Furthermore, field offices were required by the relevant administrative instruction to enter all operational and cost data into FleetWave, and UNHCR was reviewing options to secure necessary resources for monitoring and analysing this data.

Internal controls: contractors

22. According to the relevant UNHCR policy, individual contractors may only be hired if the required capacity is not available within the organization. The Board found a lack of mechanisms to assess such in-house capacities before engaging individual contractors. Additionally, the Board noted that the units requesting the hiring of contractors did not always secure the necessary human resources clearance nor observe the policy requirements regarding the maximum duration of work assignments for individual contractors. The Board encouraged UNHCR to enhance its technical tools and workflow processes to increase the transparency and efficiency of selection decisions.

23. UNHCR concurred with the recommendations and informed the Board that the policy on individual contractors and administrative instruction on the use of affiliate workforce arrangements were under review. The revised documents will emphasize the importance of human resources clearance and clarify the justification and documentation requirements for hiring individual contractors. UNHCR is exploring the possibility of implementing an automated control to block the issuance of contracts for individual contractors in excess of the maximum allowed duration specified in the revised policy.

Information technology/cybersecurity and data protection

24. Due to the autonomy of field operations, individual local applications continued to evolve independently, which the Board perceived to be a risk. Furthermore, it observed that field offices rarely allocated sufficient funds to information technology operations, which led to the obsolescence of their information and communications technology assets. Therefore, the Board encouraged UNHCR to establish mandatory minimum information security standards and to make funds available to implement those standards in the field. While the Board recognized the efforts already made with respect to information security risk management, it saw the need for UNHCR to establish a formal information security risk assessment process aligned with the relevant international standard (ISO 27005), redefine and describe the role of the Chief Information Security Officer (CISO) in the mandatory security guidelines and secure a reporting line for the CISO and the Data Protection Officer (DPO) to a consultative and reporting body that includes top management.

25. UNHCR concurred with the recommendations and is in the process of drafting the mandatory guidelines for information security, while the CyberSecurity Transformation Programme, aimed at implementing minimum information security standards, is also in progress. UNHCR has expressed its plans to establish an information security risk assessment process aligned with international standard ISO 27005 and is taking measures to ensure that the CISO and DPO have appropriate access to senior management.

III. Main recommendations for 2018 and measures taken to address them

26. This section contains the main recommendations made by the Board and measures taken by UNHCR in response. The recommendations of the Board are set out in italics, with reference to the relevant paragraph in the report of the Board of Auditors (A/74/5/Add.6).

A. Finance-related findings

Recommendation (paragraph 20)

27. *The Board recommends that UNHCR revise the presentation and disclosure of net assets in the financial statements, ensuring that fund accounting information is used only in so far as to supplement applicable IPSAS requirements.*

Measures taken by the administration

28. UNHCR will consider revising the net asset presentation when the new IPSAS standard on revenue recognition is revised, which is expected soon. UNHCR foresees that the revised standard will lead to a more fair presentation of net assets. Pending the new IPSAS standard on revenue recognition, UNHCR remains of the opinion that its current approach provides essential additional information to the readers of the financial statements on the components of net assets under the current flawed accounting standard.

Recommendation (paragraph 25)

29. *The Board recommends that UNHCR enhance the review of contribution agreements to reflect, for each donor, the probability of the outflow and an estimate of the amount of the obligation.*

Measures taken by the administration

30. UNHCR will look at past trends with regard to individual donors to establish an allowance based on a statistically derived percentage applied to those ongoing projects for which detailed and up-to-date monitoring information is not readily available. Depending on its materiality, the allowance calculated at 31 December 2019 will be reflected as a revenue adjustment/provision in the financial statements for 2019.

Recommendation (paragraph 31)

31. *The Board encourages UNHCR to consult with other United Nations organizations and to determine in collaboration with the actuaries whether the administrative instruction needs to be amended with regard to non-continuous years of service of staff members.*

Measures taken by the administration

32. UNHCR has submitted a proposal to the Joint Inspection Unit to consider including in its programme of work for 2020 a study on the possible harmonization of practices among United Nations agencies with regard to the calculation of the number of years of duty to be considered for the purpose of actuarial calculations regarding ASHI.

Recommendation (paragraph 36)

33. *The Board recommends that UNHCR assess whether it is beneficial to conclude agreements with United Nations organizations for incoming and outgoing staff to gain a clear distribution of accumulated health insurance liabilities between the entities concerned and account for the receivables or contributions, as the case may be, for those staff members.*

Measures taken by the administration

34. UNHCR defers to the report of the Secretary-General to the General Assembly on managing after-service health insurance (A/73/662, paras 50-51). This report contains the analysis, conclusions and recommendations of the inter-agency Working Group on After-Service Health Insurance, which was established by the Secretary-General under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination (CEB) pursuant to General Assembly resolution A/RES/68/244. The report states that the working group considered whether, in the context of inter-agency mobility, the transfer of after-service health insurance liability from one agency to another justified the transfer of the corresponding funding of a portion of that liability by the releasing agency and, if so, whether a common formula could be developed to determine what portion of the liability should be funded. The working group was of the view that agencies of the United Nations system should accept the transfer of certain accrued health insurance benefits and entitlements, as well as the transfer of the after-service health insurance liability, without the administratively onerous transfer of funding. Inter-agency mobility statistics covering 38 agencies provided by the CEB Secretariat for the 2013-2016 period show that any difference between the number of received staff members and the number of released staff members is immaterial when compared with the total workforces of the agencies. In light of this, UNHCR is requesting closure of this recommendation.

Recommendation (paragraph 50)

35. *The Board recommends that UNHCR establish a consistent accounting process and guidance for items that are procured for direct transfer of ownership to other entities, especially for cases that do not refer to the implementation of a specific programme. UNHCR should flag these items in the MSRP² system and disclose expenses resulting from such transfers separately in the notes to the financial statements.*

Measures taken by the administration

36. UNHCR will review the options to implement a consistent accounting process for those transactions involving a transfer of ownership over assets. With regard to the second part of the recommendation, UNHCR will assess the possibility to disclose the expenses resulting from direct transfer of ownership to other entities, considering that the primary expense classification system in the financial statements is based on the nature of expenses rather than the purpose for which the costs are incurred.

B.Reform Initiatives*Recommendation (paragraph 64)*

37. *The Board recommends that UNHCR ensure well-coordinated accountabilities, authorities and reporting lines for managers in the newly created regional and headquarters structures. The reporting lines, accountabilities and authorities should be integrated into the current structures of UNHCR and provide for the necessary coordination and monitoring at headquarters.*

Measures taken by the administration

38. UNHCR has integrated a number of functions from the current eight divisions into the organigrams of the future regional bureaux structures that are being phased-in as of September 2019. These include Regional Controllers, Senior Planning and Budget Officers, Monitoring and Evaluation Officers, Senior Donor Relations Officers, Heads of Protection and Heads of External Engagement. These functions are grouped under 4 pillars of the new regional bureaux: strategic planning, external engagement, protection and operational

² MSRP refers to UNHCR's integrated suite of applications covering budgeting, finance and supply chain management, treasury management, partnership management and travel and expense, among others.

support. The incumbents of these positions will monitor the operations and provide support to the country offices. To ensure the required continuum of coordination and monitoring at Headquarters, UNHCR has adopted a matrix management approach to functionally link the key control functions in the new regional bureaux to Headquarters divisions. These functions report managerially to the Regional Bureau Directors, while maintaining a strong functional line to the Headquarters divisions responsible for their respective areas.

Recommendation (paragraph 77)

39. *The Board recommends that UNHCR use the new results-based management tool to present the link between input, outcome and results, including the outputs delivered by implementing partners, and facilitate alignment of country operation plans with inter-agency and multi-partner processes.*

Measures taken by the administration

40. The new RBM framework is based on a results chain that includes impact, outcome and output. The higher level of results are collective (i.e. it can include contributions from operational partners and governments). At the output level, the deliverables of implementing/project partners are also included. The roll out and implementation of the new RBM framework is planned for early 2021 and will support the planning for the year 2022 and beyond. In order to meet this objective, some elements of the project will already be gradually disseminated in 2020 and accompanied by relevant training.

Recommendations (paragraph 87)

41. *The Board recommends that UNHCR further enhance the corporate risk registers in terms of meaningful and precise risks, risk treatments and risk prioritization. UNHCR should provide guidance and feedback to risk owners in country operations and headquarters entities on the required granularity of risks in the corporate risk registers.*

Measures taken by the administration

42. UNHCR will continue providing guidance to the risk owners and focal points, noting that the rotation policy has an impact on how long staff with such functions remain in the same operation. For the first time in 2019, the Enterprise Risk Management Unit reviewed all risk registers submitted by the field and provided feedback regarding the granularity of risk registers, among other aspects, ensuring quality assurance in consultation with the regional bureaux. This process will be repeated in 2020 and is expected to further improve the overall quality of the risk registers. The instructions for the risk review process to be conducted in 2020 will provide additional guidance, including practical examples, on the required granularity. This should further contribute to enhanced consistency and quality of the risk registers. The regionalization and decentralization process provides an opportunity to further enhance the quality of the risk registers: as of next year, the regional bureaux will include Senior Risk Management and Compliance Advisor positions, the incumbents of which will be responsible for assuring quality risk review processes in the country operations of their regions.

C.Internal controls: cross-cutting

Recommendations (paragraph 108)

43. *The Board recommends that UNHCR refine and systematically update its financial internal control matrix. The key controls should be scaled on the basis of the operational model and identified risks of UNHCR; key controls should tie in to control processes already in place, and UNHCR should reflect imminent changes in the organizational structure and document the implementation and monitoring of controls in the refined internal control matrix.*

Measures taken by the administration

44. UNHCR is currently enhancing its documentation on existing controls and the presentation of its internal control system. These efforts will support the issuance of a statement of internal control along with UNHCR's future audited financial statements and serve as a tool for maintaining a strong internal control system.

Recommendation (paragraph 113)

45. *The Board recommends that UNHCR enhance the content and meaningfulness of country financial reports as part of the ongoing business intelligence and data analytics project. Timelier access to the country financial reports should be granted.*

Measures taken by the administration

46. UNHCR has launched a business intelligence and data analytics project based on which the country financial reports (CFR) will be replaced by country administrative reports. The latter will enhance the content of the current reports and will be accessible in real time through the business intelligence platform.

Recommendation (paragraph 147)

47. *The Board recommends that UNHCR enhance its variance analysis of salaries and employee benefits to carry out the controls required in the financial control matrix.*

Measures taken by the administration

48. UNHCR is preparing a separate analysis for each of the main salary earning elements (gross salary, post adjustment, dependency allowance and pension contribution) to support the variance analysis of the total salary payments.

Recommendation (paragraph 156)

49. *The Board recommends that UNHCR document the regular run of human resources monitoring reports in a log tracking file. The reports with results should be uploaded to eSafe³. UNHCR should document the review in a separate column of the MSRP human resources reports and take appropriate (corrective) action, if necessary. The number of automated human resources reports should be increased.*

Measures taken by the administration

50. UNHCR is exploring various technical solutions to establish a process for the central monitoring of key reports and to create additional automated human resources reports.

Recommendation (paragraph 167)

51. *The Board recommends that UNHCR document the constant run of required payroll reports in a log tracking file, constantly review the payroll reports and document the review, supervisory controls and appropriate corrective action.*

Measures taken by the administration

52. As of May 2019, a manual log track block is included in the monthly payroll schedule file, where payroll staff confirm that they have run and reviewed the required payroll reports.

D.

³ eSafe refers to UNHCR's digital records and archive system.

Internal controls: cash assistance to beneficiaries

Recommendation (paragraph 184)

53. *The Board recommends that UNHCR strengthen the monitoring and, in particular, the timeliness of country operation refund processes. The CashAssist system should include an automated notification to request and record claims for repayment from financial service providers at predetermined intervals.*

Measures taken by the administration

54. UNHCR's standard operations procedures reflect and include detailed procedures for refunds and related timelines. Moreover, UNHCR has included the refund requirements in the contracts with financial service providers. UNHCR monitors its contractual relationship with financial service providers through established key performance indicators to evaluate all criteria, including refund reporting. UNHCR monitors refunds through processes based on assessments performed either manually or through automated periodic reviews of the entries recorded in the system to account for refund-related details and periodic follow-up with country operations. In addition, UNHCR has included the requirement for automated notifications in the CashAssist system to request and record repayment claims from financial service providers.

Recommendation (paragraph 185)

55. *The Board recommends that UNHCR make available clear guidance on the allocation and monitoring of refunds to country operations participating in the common cash facility approach in cases of commingled cash pools.*

Measures taken by the administration

56. UNHCR, together with other common cash facility participants, has a specific methodology for refunds, which is also included in the country-specific standard operating procedures and embedded in contracts with financial service providers. UNHCR will enhance monitoring to ensure compliance through periodic performance evaluations of the financial service providers and review of the refunds recorded in the system.

Recommendation (paragraph 190)

57. *The Board recommends that UNHCR ensure that in the case of non-digital cash distributions a further end-to-end reconciliation is conducted at least on a spot-check basis as long as no systemized reconciliation is available.*

Measures taken by the administration

58. UNHCR consistently monitors the receipt of funds by the beneficiaries included in the approved distribution lists through a post distribution monitoring mechanism. In addition, UNHCR will include spot checks in the monitoring of the distribution of non-digital cash.

Recommendation (paragraph 191)

59. *The Board recommends that UNHCR require a new approval of the master distribution list if changes in an approved list occur, to ensure that in accordance with the administrative instruction no cash distribution can be processed without an approved master distribution list.*

Measures taken by the administration

60. UNHCR has embedded the requirement for new approvals of any changes to the master distribution list in the CashAssist system, where distribution lists are approved. In countries not using CashAssist, UNHCR will include the requirement in the country-specific standard operating procedures. All changes to the distribution lists go through the approval process again, with appropriate controls over the final distribution lists.

Recommendation (paragraph 195)

61. *The Board recommends that UNHCR highlight the importance of a standard check for duplicates in cash assistance distribution lists before approval of the distribution lists.*

Measures taken by the administration

62. UNHCR has developed a means to identify duplicates and established integrated controls in ProGres⁴ and CashAssist. UNHCR is further enhancing the country-specific SOPs and communication to the operations requesting to systematically adhere to the control requirements for detection and removal of duplicates.

Recommendation (paragraph 205)

63. *The Board recommends that UNHCR make post-distribution monitoring of the individual country operations cash-based intervention programmes mandatory. The post-distribution monitoring reports should contain recommendations and key programmatic adaptations as a standard content.*

Measures taken by the administration

64. The post distribution monitoring toolkit will be published in September 2019 in English, French and Spanish, providing guidance to country operations including on the required indicators for monitoring. Operations will be required to include a standard section to allow for recommendations on adapting programmes for cash-based interventions, where appropriate.

Recommendation (paragraph 213)

65. *The Board recommends that UNHCR analyse and aggregate the findings from post-distribution monitoring and use it as a base for further developing the cash-based intervention programme at the level of both countries and bureaux. The analysis should be made available in a knowledge management portal.*

Measures taken by the administration

66. UNHCR is currently conducting a meta-analysis of post distribution monitoring conducted up to June 2019. The review and assessment will be available towards the end of 2019 and will be shared through appropriate channels, including weekly updates on UNHCR's intranet.

E. Internal controls: implementing partners

Recommendation (paragraph 235)

67. *The Board recommends that UNHCR introduce further electronic processes, such as submission of partner financial reports from partners through the United Nations Partner Portal and electronic signature for the approval of partner financial reports to replace the current offline verification signatures where possible, in order to facilitate strengthened internal controls. When electronic signatures are implemented, UNHCR should ensure that the authorities are aligned with the delegation of authority plan.*

Measures taken by the administration

68. Existing UNHCR electronic systems are used as much as feasible to support the partnership processing cycle. Furthermore, UNHCR is taking steps to digitalize and centralize the entire partnership process, while creating proper interface between UNHCR's digital systems. A phased approach is necessary due to resource availability, the complex and multifaceted nature of partnerships, different operational contexts and varying quality of internet access across field locations.

⁴ ProGres refers to UNHCR's enterprise registration tool.

Recommendation (paragraph 262)

69. *The Board recommends that UNHCR strengthen the link of performance review and resource requirements to additional instalment payments and document the review accordingly when initiating the payment of additional instalments.*

Measures taken by the administration

70. As of mid-July 2019, the format of the project financial reports has been amended to strengthen their link with the instalments. Whenever the timing or the amount of instalment payments requested by operations is significantly different from the indicative instalment plan, or when partners hold cash from previous instalments equivalent to more than one month of lead time at the time of the instalment payment recommendation, the operation is required to document the rationale for the requested instalment payment. Additionally, UNHCR has revised the project financial report format to explicitly request partners to indicate the amount of instalments they are requesting and to require UNHCR to disclose the amount authorized for release.

Recommendation (paragraph 267)

71. *The Board recommends that UNHCR transparently link transfers of ownership to project partnership agreements in cases where the recipient is an implementing partner. The transfer of ownership agreement and MSRP recordings should state the project partnership agreement identification symbol. The purpose of the transfer should be clearly defined and stipulated in the transfer of ownership agreements.*

Measures taken by the administration

72. The relevant entities in UNHCR will coordinate the technical development of a field in the transfer of ownership agreement template, where the partnership agreement symbol, as applicable, will be referenced.

F. Global fleet management*Recommendation (paragraph 299)*

73. *The Board recommends that UNHCR incorporate the results of the evaluation report in the next fleet strategy and assess the sequence and importance of the processes needed to be implemented and prioritize them accordingly.*

Measures taken by the administration

74. UNHCR's new global fleet management strategy covering the period from 2019 to 2021, which is now finalized, was partially informed by the results and recommendations of the evaluation report.

Recommendation (paragraph 300)

75. *The Board recommends that the field level should be obliged to record all operational and financial data in the analysis tools (FleetWave/vehicle tracking system) and that global fleet management staff have access to all databases and have the capacity to carry out analytical services and evaluate the data.*

Measures taken by the administration

76. UNHCR has issued an administrative instruction on supply chain management, which requires that field offices include all operational and cost data into FleetWave. The global fleet management staff have full access to all data in FleetWave. However, additional resources will be required to ensure the completeness of data recorded and to conduct analysis of this data. UNHCR is currently assessing how these tasks can be addressed.

G. Internal controls: contractors

Recommendation (paragraph 307)

77. *The Board recommends that UNHCR should strengthen its justification and documentation for hiring individual contractors under the circumstances that the required capability is not available in UNHCR.*

Measures taken by the administration

78. The new administrative instruction on the use of affiliate workforce will clarify that justification and documentation for hiring individual contractors should be performed at the level of the hiring entity before the start of the hiring process.

Recommendation (paragraph 310)

79. *The Board recommends that UNHCR ensure the mandatory break in service of three full months is fulfilled in every case. Therefore, UNHCR should monitor the duration of contracts to comply with the applicable limits set.*

Measures taken by the administration

80. UNHCR will explore the possibility of a configuration in the finance and human resources modules of its MSRP system to automatically block the issuance of individual contractor contracts in excess of the maximum allowed duration specified in the policy.

Recommendation (paragraph 316)

81. *The Board recommends that UNHCR provide clear guidance to divisions and field operations (hiring entities) to enhance the awareness of human resources clearance. UNHCR should amend the respective policies with regard to the human resources clearance and ensure the involvement of the Affiliate Partnerships Unit in the clearance process.*

Measures taken by the administration

82. UNHCR is in the process of reviewing its policy on individual contractors and the administrative instruction on the use of affiliate workforce arrangements. Both revised documents will emphasize the importance of human resources clearance and will clarify the respective accountabilities.

Recommendation (paragraph 324)

83. *The Board recommends that UNHCR ensure that the entire contractor identification and selection process is independently verified or is based on an approval workflow process (as an integrated part of the MSRP module) in order to increase transparency and efficiency of the selection decision made by the hiring manager.*

Measures taken by the administration

84. UNHCR will explore the technical possibility of including the recruitment of individual contractors in the new MSRP recruitment module. The MSRP recruitment module was rolled out in June 2019 for all operations to be used for handling the hiring of staff in the general service and national officer categories as well as affiliate workforce.

Recommendation (paragraph 328)

85. *The Board also recommends that UNHCR conduct an analysis to determine whether the assignment of contractors is the most cost-effective solution.*

Measures taken by the administration

86. As part of the development of the relevant administrative instruction, the Division of Human Resources has consulted field operations with regard to this requirement and concluded that such a cost-benefit analysis should be part of a broader feasibility analysis.

This would take into account several additional relevant human resources aspects other than costs (e.g. functional restrictions and the nature of the required task).

H. Information technology/cybersecurity and data protection

Recommendation (paragraph 343)

87. *The Board recommends that UNHCR establish mandatory organization-wide minimum information security standards in an ICT governance framework as soon as possible.*

Measures taken by the administration

88. UNHCR is in the process of drafting mandatory guidance on information security.

Recommendation (paragraph 345)

89. *The Board recommends that UNHCR make additional funds available to implement and monitor mandatory minimum information security standards in the field.*

Measures taken by the administration

90. Through its CyberSecurity Transformation Programme, UNHCR is in progress to implement minimum security standards.

Recommendation (paragraph 355)

91. *The Board recommends that UNHCR establish an information security risk assessment process based upon or directionally aligning towards ISO 27005.*

Measures taken by the administration

92. UNHCR will implement this recommendation incrementally. Initially, the Division of Information Systems and Telecommunications will adopt this standard for future information security assessments and, subsequently, as it gains experience and maturity, will gradually introduce this standard across the organization.

Recommendation (paragraph 365)

93. *The Board recommends that UNHCR strengthen the position of the Chief Information Security Officer and increase interaction with top management. To secure the position of the Officer, the Board recommends that UNHCR redefine and describe the role and tasks of the Chief Information Security Officer in an overarching information security mandatory guideline that defines mandatory requirements, controls and responsibilities of all stakeholders. The mandatory guideline should also grant the Chief Information Security Officer a reporting line to a consultative and reporting body that includes membership by top management.*

Measures taken by the administration

94. The position of the Chief Information Security Officer (CISO) will be moved to the office of the Director of the Division of Information Systems and Telecommunications. UNHCR will establish a consultative body, with representation from senior management.

Recommendation (paragraph 387)

95. *The Board recommends that the UNHCR Data Protection Officer have appropriate access to the top management.*

Measures taken by the administration

96. The Data Protection Officer responsible for the implementation of the policy on data protection for persons of concern reports directly to the Director of the Division of

International Protection, who is in turn responsible for convening regular inter-divisional meetings on data protection and ensuring that the Senior Executive Team is fully briefed on all relevant data protection matters. In discharging this responsibility, the Director of the Division of International Protection will ensure direct participation of the Data Protection Officer in the relevant meetings of the Senior Executive Team.

IV. Main recommendations outstanding for previous years and measures to address them

A. Report of the Board for the year ended 31 December 2017⁵

1. Sustainable development goals

Recommendation (paragraph 100)

97. *The Board recommends that based on the corporate position, UNHCR operationalize its sustainable development goal engagement.*

Measures taken by the administration

98. UNHCR approved a corporate position on its sustainable development goals in June 2019. To operationalize the position, UNHCR has developed a presentation and sent it to all staff to serve as a guide to offices in defining their context specific SDG approach. In addition, UNHCR has developed a plan and timeline to operationalize the position through (a) guidance on SDG implementation, including parameters for a coherent approach across operations, and (b) the collection and dissemination of lessons learned.

Recommendation (paragraph 108)

99. *The Board recommends that, based on its corporate position on sustainable development goal engagement, UNHCR develop a results-based management system that is able to reflect the position of UNHCR on sustainable development goal engagement in order to demonstrate its contributions to the achievement of the goals in the long term.*

Measures taken by the administration

100. As of July 2019, the future results framework structure, which has been submitted to senior management for endorsement, proposes to incorporate the SDGs mainly in three aspects:

- i. alignment of some of the newly introduced outcome areas with the SDGs;
- ii. consideration to adopt some of the relevant SDG indicators as UNHCR's organizational core indicators; and
- iii. selection of SDG targets and indicators by country offices relevant to their operations and to multi-stakeholder processes, such as the United Nations Sustainable Development Cooperation Framework, and national plans.

Recommendation (paragraph 126)

101. *The Board recommends that, based on the corporate position and guidance to operationalize that position, country operations map and align current approaches so as to develop a plan on how they intend to support national governments in implementing the sustainable development goals through support, where applicable, of the comprehensive refugee response framework, the United Nations country teams and the implementation of the United Nations Development Assistance Framework.*

⁵ See A/73/5/Add.6.

Measures taken by the administration

102. As part of the regionalization and decentralization process, new positions (such as Senior Partnership Officers, Development Officers and Senior Inter-Agency Officers) will be in place by September 2019 to assist operations in forging new partnerships and to strengthen existing ones.

2. Use of individual consultants

Recommendation (paragraph 172)

103. *The Board recommends that UNHCR enhance compliance with its policy and standard operating procedures on individual consultants, ensure effective consultant contract management and consider centralizing some tasks of the hiring units to obtain a higher level of specialization.*

Measures taken by the administration

104. By the end of August 2019, Senior Human Resources Business Partners will be appointed in each of the new regional bureaux. These senior staff members will provide support in enhancing compliance with the policy and ensuring effective contract management.

Recommendation (paragraph 174)

105. *The Board recommends that UNHCR establish a UNHCR wide control to prevent duplicate payments of consultant fees from a headquarters bank account in parallel to payments from an operation's bank account.*

Measures taken by the administration

106. UNHCR uses existing queries to identify any duplicate payments to consultants and has launched the development of specialized queries that will serve the specific purpose of checking for any such duplicate payments.

Recommendation (paragraph 181)

107. *The Board recommends that UNHCR review its policy and the standard operating procedures for the use of individual consultants. During this process UNHCR should enhance the guidance on advertising requirements, the segregation of duties, waiver processes, processes to determine and negotiate consultant fees, documents supporting payment reconciliation and the file management process.*

Measures taken by the administration

108. Work on the revision of the respective policies is ongoing. While the administrative instruction on the use of affiliate workforce will address overarching issues relevant to all categories of affiliate workforce modalities, an administrative instruction specific to the use of individual contracts (including consultants and individual contractors) will also be issued.

3. Selected observations on supply chain management

Recommendation (paragraph 213)

109. *The Board recommends that UNHCR assess how a more efficient management of core relief items in stock, which includes supplies of country operations, could be put in place. This assessment should address the question as to whether UNHCR might be seen as one organization with regard to "ownership" of its inventories.*

Measures taken by the administration

110. It is expected that a decision on the preferred approach regarding the management and "ownership" of core relief items will be made once the regionalization and decentralization process is completed.

4. Business continuity management from an information and communications technology perspective

Recommendation (paragraph 234)

111. *The Board recommends that UNHCR include the remaining applications in the disaster recovery plan to increase their data security.*

Measures taken by the administration

112. UNHCR has identified a specific action plan and timelines for the remaining applications to be included in the disaster recovery plan by the end of 2020.

Recommendation (paragraph 240)

113. *The Board recommends that UNHCR implement comprehensive backup and disaster recovery guidelines in every country operation. The guidelines should be embedded in the local business continuity management.*

Measures taken by the administration

114. UNHCR will incorporate backup and disaster recovery guidelines in the information and communications technology field operations manual, which is currently under development. Once the guidelines are issued, it will be up to each operation to include these in their business continuity plans.

B. Report of the Board for the year ended 31 December 2016⁶

1. Global fleet management

Recommendation (paragraph 39)

115. *The Board recommends that country operations determine the numbers and types of vehicles needed to meet operational needs and document the underlying assumptions and how country operations arrived at their estimates. In case country operations need assistance with respect to an accepted methodology to estimate the number and types of vehicles needed for the operation, the Board encourages them to liaise with global fleet management (GFM) for advice or additional guidance.*

Measures taken by the administration

116. UNHCR has shared a guidance note with the operations on the criteria to be considered for the determination of the size and composition of their fleets. This takes into account country-specific factors (e.g. emergencies and import restrictions) and criteria such as staff size, requirements of implementing partners, maintenance and repair facilities, utilization of existing vehicles and the average age of the fleet. UNHCR is also in regular contact with all operations on vehicles that meet the criteria to be sold so that the number of such vehicles will be reduced to a minimum.

2. Risk-based monitoring of implementing partnership expenses

Recommendation (paragraph 88)

117. *The Board also recommends that management in country operations and the regional bureaux regularly review the quality of financial and performance monitoring for projects implemented with partners.*

⁶ A/72/5/Add.6, Chap. II

Measures taken by the administration

118. UNHCR Headquarters performs an annual quality review of monitoring reports for a sample of agreements. In addition, with the establishment of the new Programme Coordination Units in the bureaux which contain functions of project control, programme monitoring and budgeting, the Regional Project Control Officers will assume quality control functions for the financial and performance monitoring reports.

3. Procurement in country operations*Recommendation (paragraph 113)*

119. *The Board recommends country operations to monitor non-purchase order (PO) purchases on a regular basis and assess whether further efficiency gains could be realized by compiling individual “non-PO purchases” into framework agreements. The Board also advises that headquarters divisions liaise with country operations to explore how the monitoring and oversight of “non-PO purchases” could be facilitated.*

Measures taken by the administration

120. UNHCR will monitor non-purchase order purchases through the revamped country administrative report, which is currently under development and is expected to be completed in the first quarter of 2020.

C. Report of the Board for the year ended 31 December 2015⁷**1. Accuracy of population data***Recommendation (paragraph 65)*

121. *The Board recommends that UNHCR headquarters develop a formal reporting mechanism on the frequency and comprehensiveness of verification exercises, enabling it to obtain assurance as to the accuracy of the data regarding its existing population of concern, and provide a stronger link between the results and the deployment of resources.*

Measures taken by the administration

122. The Board of Auditors continued to keep this recommendation open on the grounds that UNHCR had to complete several verification exercises that were in progress at the audit time, in addition to those already completed. UNHCR has requested closure based on the fact that, by the repetitive nature of verification exercises and following UNHCR’s guidance to conduct a verification at least every 24 months in certain operational scenarios, there will always be verification activities in progress every year. For this reason and recalling that the recommendation was to “develop a formal reporting mechanism”, UNHCR confirms that it has implemented a regular reporting mechanism on verification exercises in the field, through its network of Senior Regional Registration Officers. Additionally, PRIMES⁸ has now been rolled out to 65 country operations with over 60 per cent of refugee data stored in the ecosystem. UNHCR is on track to migrate into PRIMES (proGres v4) at least 80 per cent of refugee data by the end of 2019, and the remaining by 2020. In June 2019, guidance on continuous registration and verification was published as part of a guidance note on identity management and registration.

⁷ A/71/5/Add.6, Chap. II.

⁸ PRIMES refers to UNHCR’s Population Registration and Identity Management Ecosystem.

V. Conclusion

123. UNHCR reiterates its commitment to addressing the recommendations made by the Board and to further improving procedures, systems and controls in order to mitigate the identified risks. The Board's findings and recommendations will help the organization prioritize its resources in those areas where it is most exposed to risk.
