INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/052

Audit of the United Nations High Commissioner for Refugees security budget management

Overall results relating to effective management of security budget were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

14 June 2013
Assignment No. 2012/167/01

CONTENTS

AUDIT REPORT

Audit of the United Nations High Commissioner for Refugees security budget management

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations High Commissioner for Refugees (UNHCR) security budget management.

2.   In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

3.   The budget allocation for security is under the authority of UNHCR Budget Committee who allocated this budget to:

- UNHCR Field Safety Section (FSS) for management of the portion related to the United Nations global cost shared security costs, and the UNHCR emergency security fund.
- The Representatives for management of the portion allocated to their field security budgets.
- UNHCR Division of Financial and Administrative Management (DFAM) for management of the portion allocated for the headquarters security budget (Geneva and Budapest).

4.   Table 1 below shows overall figures related to security expenditures for 2010 and 2011 and the budget for 2012.

Table 1:   Security expenditures (2010 – 2011) and budget for 2012

Source\ $ million	2010	2011	2012
Voluntary contributions	50.7	59.5	67.0
Regular Budget	3.3	3.5	3.5
Total	**54.0**	**63.0**	**70.5**

5.   Comments provided by UNHCR are incorporated in *italics*.

II.   OBJECTIVE AND SCOPE

6.   The audit of UNHCR security budget management was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding **effectiveness of security budget management by UNHCR**.

7.   The audit was included in the 2012 OIOS risk-based work plan in consultation with UNHCR Division of Emergency Security and Supply (DESS) as security funding was rated as higher risk due to need to ensure that security resources were being effectively allocated and used for mitigating security related risks affecting UNHCR staff members and assets.

8. The key control tested for the audit was security management systems. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that systems are in place to ensure that sufficient funds are made available for safety and security of staff and premises.

9. The key control was assessed for the control objectives shown in Table 2.

10. OIOS conducted the audit from May to September 2012. The audit covered the period from January 2010 to August 2012.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. UNHCR governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **effectiveness of security budget management by UNHCR**. OIOS made three recommendations to address issues identified in the audit. Controls over security management systems were assessed as partially satisfactory as a monitoring mechanism was needed to assist in ensuring that UNHCR has an accurate picture of expenditure on security in the Field and Headquarters. Current budget arrangements also need to be amended to ensure adequate consideration is given to identifying resources required to achieve Minimum Operating Security Standards (MOSS) compliance. Field Security Section and Field Safety Advisors should also be given access to information on the use of the resources needed for monitoring implementation of security-related measures in the field. UNHCR had put in place a process for ensuring that it paid the correct share of United Nations common field security costs.

13. The initial overall rating was based on the assessment of key controls presented in table 2 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 2: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	**Accurate financial and operational reporting**	**Safeguarding of assets**	**Compliance with mandates, regulations and rules**
effectiveness of security budget management by UNHCR	Security management systems	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A.   Security management systems

<u>The United Nations High Commissioner for Refugees is paying its correct share of United Nations common security costs in the field</u>

14.   There were adequate arrangements in place for ensuring that UNHCR paid the correct share of the security costs, which amounted to $11.7 million in the biennium 2010-2011. These arrangements included confirmation of the correct number of staff for which the security charge was made, certification by the Field Safety Section that services had been received, authorization of the payment by Division of Emergency Security and Supply and payment by UNHCR Finance Section.

<u>Need for a monitoring mechanism to facilitate an accurate picture of security expenditure in the field and headquarters</u>

15.   To provide an accurate picture on how much is spent on security in the field, UNHCR created the 0FS objective code and restricted its use to recording transactions related to staff safety and security within the Administrative Budget and Obligation Document. Instructions were sent to Representations and Heads of offices requesting them to use the 0FS code. These were not supported by a regular review of budget versus actual expenditure for the 0FS code. Consequently, there was no guarantee that the 0FS code was being used as intended and this proved to be the case. For 2011, UNHCR field offices were approved an overall security budget of $25 million. The corresponding security expenditures recorded under the 0FS code were only $15 million. An analysis of 2011 records, revealed examples where security expenditures had occurred but had not been recorded under 0FS code: $47,000 in Zimbabwe, $68,500 in Angola and, $42,000 in Tunisia.

> **(1) The United Nations High Commissioner for Refugees should put in place a monitoring mechanism for ensuring that the 0FS code is used for recording all security expenditures budgeted under the code in order to have an accurate picture of security expenditures.**
>
> *The United Nations High Commissioner for Refugees (UNHCR) accepted recommendation 1 and stated that to improve this area, UNHCR will publish a comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management. This will include both reinforcement of existing policy, and amplification on areas identified for further clarification. The latter includes use of proper codes for recording of security expenditures.* Recommendation 1 remains open pending completion and issuance of the comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management.

<u>Current budget arrangements need to be amended to ensure adequate consideration is given to identifying resources required to achieve Minimum Operating Security Standards compliance</u>

16.   Achieving 100 per cent compliance with Minimum Operating Security Standards (MOSS) is a target which UNHCR has set itself and which it reports upon to member states. To assist in achieving this target, UNHCR rules require field offices to prepare budgets that have adequate resources for achieving and maintaining MOSS compliance. UNHCR assigned FSS the responsibility for reviewing country office budgets to check whether they were commensurate with relevant security needs. FSS performed this task as part of Annual Programme Reviews, analyzing the results of the semi-annual MOSS compliance self-assessments sent by Representations and ensuring that costs needed to achieve MOSS compliance were correctly reflected in Country Operation Plans (COP). The results of each review were sent to the responsible Bureaus outlining any amendments required to the COP to reflect correctly resources needed for full MOSS compliance. These reports were advisory and there was no requirement, as part of the budgeting process, for the Bureaus to ensure that each COP reflected the costs

required to achieve MOSS compliance. OIOS also observed that costs needed to achieve full MOSS compliance were not being reported in all COPs as part of the budget process. As an example, no security budget was proposed in COPs of three countries in one Bureau, which FSS had identified as in need of a security budget. When security issues arose, the immediate impact was that an allocation was made to each country from the emergency security fund to address MOSS related security weaknesses. Failure to reflect correctly security needs in the budget put at risk the security of UNHCR staff members and assets.

> **(2) The United Nations High Commissioner for Refugees should amend its budget instructions to Representations to make mandatory reflecting the resources implications for a full implementation of the results of the Field Safety and Security reports in their annual Country Operation Plans.**
>
> *The United Nations High Commissioner for Refugees (UNHCR) accepted recommendation 2 and stated that to improve this area, UNHCR will publish a comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management. This will include both reinforcement of existing policy, and amplification on areas identified for further clarification. The latter includes requirements for reflecting of security needs in the Country Operation Plans.* Recommendation 2 remains open pending completion and issuance of the comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management.

Action needed to provide Field Security Section and Field Safety Advisors with information on use of security resources

17.   UNHCR Field Security Section, the Regional Field Safety Advisors (RFSA) and the Field Safety Advisors (FSA) have responsibility for reviewing appropriateness of security measures in the field. This task requires them to have information on the utilization of resources to implement security measures. They did not have access to this information and could not therefore advise Representations on any corrective action to address potential security risks. This situation could adversely affect UNHCR ability to demonstrate overall MOSS compliance

> **(3) The United Nations High Commissioner for Refugees should give Field Security Section and Field Safety Advisors access to information on how resources have been allocated for security-related measures.**
>
> *The United Nations High Commissioner for Refugees (UNHCR) accepted recommendation 3 and stated that to improve this area, UNHCR will publish a comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management. This will include both reinforcement of existing policy, and amplification on areas identified for further clarification. The latter includes expectations regarding the role of field safety staff in the management of security resources.* Recommendation 3 remains open pending completion and issuance of the comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management.

IV.   ACKNOWLEDGEMENT

18.   OIOS wishes to express its appreciation to the Management and staff of the United Nations High Commissioner for Refugees for the assistance and cooperation extended to the auditors during this assignment.

(*Signed*) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of United Nations High Commissioner for Refugees security budget management

Recom. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	**The United Nations High Commissioner for Refugees should put in place a monitoring mechanism for ensuring that the 0FS code is used for recording all security expenditures budgeted under the code in order to have an accurate picture of security expenditures.**	Important	O	Publication of a comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management. This will include both reinforcement of existing policy, and amplification on areas identified for further clarification. The latter includes use of proper codes for recording of security expenditures.	31 December 2013
2	**The United Nations High Commissioner for Refugees should amend its budget instructions to Representations to make mandatory reflecting the resources implications for a full implementation of the results of the Field Safety and Security reports in their annual Country Operation Plans**	Important	O	Publication of a comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management. This will include both reinforcement of existing policy, and amplification on areas identified for further clarification. The latter includes requirements for reflecting of security needs in the Country Operation Plans.	31 December 2013
3	**The United Nations High Commissioner for Refugees should give Field Security Section and Field Safety Advisors access to information on how resources have been allocated for security-related measures.**	Important	O	Publication of a comprehensive instruction reinforcing the responsibilities of the managers with respect to security budget management. This will include both reinforcement of existing policy, and amplification on areas identified for further clarification. The latter includes	31 December 2013

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[1] Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

[2] Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

[3] C = closed, O = open

[4] Date provided by UNHCR in response to recommendations.

Recom. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
				expectations regarding the role of field safety staff in the management of security resources	

APPENDIX I

Management Response

Memorandum

UNHCR

Case postale 2500
CH-1211 Genève 2

To/A:	Mr. Christopher F. Bagot, Chief, United Nations High Commissioner for Refugees Audit Service, Internal Audit Division, Office of Internal Oversight Services
From/De:	Amin Awad, Director, Division of Emergency, Security and Supply
File Code/Dossier:	AID: 13-04057
Subject/Objet:	**OIOS report on an audit of United Nations High Commissioner for Refugees security budget management (Assignment No. AR2012/167/01)**

Date: 7 June 2013

Reference is made to cover memo dated 13 May, 2013, detailing findings of OIOS audit of United Nations High Commissioner for Refugees security budget management, Assignment No. AR2012/167/01.

UNHCR accepts the three recommendations in the report. To improve these areas, UNHCR will publish a comprehensive instruction reinforcing the responsibilities of managers with respect to security budget management. This will include both reinforcement of existing policy, and amplification on areas identified for further clarification. The latter includes use of proper codes for recording of security expenditures, requirements for reflecting of security needs in Country Operations Plans, and expectations regarding and the role of field safety staff in the management of security resources.

In order to allow time for consultation among the relevant sections of the organization, and to coincide with other instructions relevant to the new year, the timeframe for this action will be by the end of 2013. The individuals responsible for implementation will be the Director, Division of Financial and Administrative Management and Director, Division of Emergency, Security and Supply.

Cc: Janet Lim, Assistant High Commissioner for Operations; Kumiko Mastuura-Mueller, Director, Division of Financial and Administrative Management and Controller; Linda Ryan, Head, Programme Budget Service; Michael Dell'Amico, Chief, Field Safety Section; Julie Dunphy, Senior Field Safety Adviser for Security Liaison; Aamir Saeed, Senior Resource Manager; Nicholas Birch, Senior Audit Coordinator