Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2026/015

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

UNHCR's anti-fraud framework remains at an early stage of maturity, with stronger governance, risk assessment, control activities and monitoring required to advance related organizational resilience

14 July 2026
Assignment No. AR2024-161-02

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees (UNHCR). The objective of the audit was to assess the efficiency and effectiveness of UNHCR's arrangements for preventing, detecting, and responding to fraud. The audit covered the period from January 2022 to December 2024 and included (a) governance and organizational culture; (b) fraud risk assessment; (c) fraud prevention and detection; (d) fraud response; and (e) monitoring and reporting.

UNHCR operates in an environment that is highly susceptible to fraud, and thus its ability to prevent, detect and respond to fraud and corruption at the earliest opportunity is critical. Despite this, UNHCR's fraud management arrangements remained at an initial/repeatable stage, where most related issues were recognized but the organization was yet to develop and implement a coordinated approach to address them. OIOS identified weaknesses regarding: (i) an outdated anti-fraud framework and the lack of clearly defined leadership to coordinate anti-fraud efforts dispersed across the organization; (ii) the lack of an enterprise-wide fraud risk and culture assessment to recalibrate controls, enhance staff awareness, and reinforce leadership commitment towards fraud prevention, detection, and response; (iii) delays in finalizing and embedding the fraud risk appetite and tolerance into risk management and decision-making processes; and (iv) non-compliance with policies with increased incidences following the recent organizational restructuring process.

OIOS made six recommendations. To address issues identified in the audit, UNHCR needed to:

- Reinforce the fraud related governance by designating a business process owner to lead the updating and implementation of the fraud strategic framework and related activities across the organization.
- Embed the risk appetite statement in risk management processes to guide decision-making and unify the risk culture.
- Conduct an organization-wide fraud risk assessment and ensure that complementary fraud risk assessments are conducted for high-risk entities and activities.
- Coordinate the implementation of actions to strengthen fraud control activities identified through the organization-wide fraud risk assessment; and strengthen oversight of organizational compliance with policies through a review of second-line guidance and anti-fraud.
- Reinforce organizational processes for systematically tracking, following up and reporting on the status as well as decisions and actions taken regarding misconduct complaints on suppliers and partners referred to the Inspector General's Office.
- Develop a monitoring framework and review mechanisms to evaluate the effectiveness of the fraud risk management framework including tracking completion of corrective actions.

UNHCR accepted all recommendations, had implemented one and initiated action to implement the rest of them. Remaining actions required to close the recommendations are indicated in Annex I.

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Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees.

2. UNHCR spent an average of $5 billion per year between 2021 and 2024 and this reduced to $3.8 billion in 2025. Its operating environment as well as the nature of UNHCR's activities and its highly decentralized structure collectively heightened organizational vulnerabilities to fraud as noted below. UNHCR in its annual financial statements reported 188 fraud cases and financial losses of $3.2 million between 2021 to 2024.

a. **Operating environment**: Eighty-four per cent of staff working in countries with a high corruption perceptions index.[1]

b. **Interaction with many funded partners**: UNHCR interacted with some 1,780 partner organizations, including national and international nongovernmental organizations (NGOs), governmental bodies and community-based organizations between 2018 and 2024, through which it disbursed $9.2 billion.

c. **High volume of procurement**: UNHCR procured $5.4 billion from over 160 countries between 2021 and 2024, and per the United Nations Global Marketplace, in 2024 alone its procurement volume represented 5.1 per cent of the total United Nations procurement.

d. **Organizational changes**: The restructuring and downsizing of the organization due to funding cuts **resulted** in a significant reduction in staff capacity and may further increase fraud risks. UNHCR's reduction of staff from 19,500 staff spread across 141 countries in December 2024 by some 5,000 to 14,500 staff in 2025 negatively impact on the internal control framework.

e. **Impact of new systems and processes**: Systems introduced under the Business Transformation Programme (BTP) since 2020 were intended to modernize and streamline processes and tools but were yet to be fully stabilized to serve as effective controls and providers of reliable data.

3. To tackle fraud, UNHCR established a Strategic Framework for the Prevention of Fraud and Corruption in 2013 (the "Strategic Framework"), which was complemented by a 2017 Handbook on Fraud and Corruption, Prevention, Detection and Reporting at UNHCR. These instruments defined **fraud** as any act or omission, including misrepresentation or concealment of a material fact, that knowingly or intentionally misleads, or attempts to mislead, a party to obtain a benefit, whether directly or indirectly, whether for oneself or for a third party. Fraud could involve misappropriation of cash or other assets, or fraudulent statements. **Corruption** was defined as the offering, giving, receiving or soliciting, directly or indirectly, anything of value to influence improperly the actions of another party.

4. The High Commissioner is accountable for the establishment and management of an effective system for the prevention and detection of fraud, including related internal controls, enforcement of measures against fraud, and response to fraud allegations. The Inspector General's Office (IGO) investigates allegations of misconduct as per the Policy on Independent Oversight and Administrative Instruction on Conducting Investigations in UNHCR. The Legal Affairs Service (LAS) supports the High Commissioner in administering disciplinary measures or sanctions that are handled by different Divisions

[1] Published by Transparency International (https://www.transparency.org/en/cpi/2024)

depending on the type of fraudster (personnel, vendors, or funded partners). Further, the Ethics Office provides confidential ethical advice, oversees implementation of the retaliation framework and the Financial Disclosure Programme, and conducts annual thematic Code of Conduct Dialogues, which achieved a substantial 76 per cent workforce participation in 2024.

5. UNHCR relies on its corporate system, Cloud Enterprise Resource Planning (ERP) for managing finance, supply chain and assets, which was implemented in September 2023. Additionally, other systems such as, COMPASS used for planning and budgeting, Workday used for human resources transactions and Project, Reporting, Oversight and Monitoring Solution (PROMS) used for partnership management held relevant data in key business areas and interfaced with Cloud ERP to varying degrees.

6. Comments provided by UNHCR are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the efficiency and effectiveness of UNHCR's arrangements for preventing, detecting, and responding to fraud.

8. This audit was included in the 2024 risk-based work plan of OIOS due to heightened fraud risks occasioned by the environment UNHCR operates in and the fast-paced changes to its funding, structures, operations and staff.

9. OIOS conducted this audit from March 2025 to January 2026. The audit covered the period from January 2022 to December 2024 and, where required for statistical and trend analysis purposes, prior and later periods were considered. The audit covered the following areas in the fraud risk management: (a) governance and organizational culture; (b) fraud risk assessment; (c) fraud prevention and detection; (d) fraud investigation and corrective action; and (e) monitoring and reporting. Fraud committed by forcibly displaced persons was excluded from the audit scope, as the topic had been covered in priors audits[2] and a new policy[3] was implemented from January 2025.

10. The audit methodology included: (a) interviews with key personnel in Divisions and other entities at UNHCR headquarters; (b) review of relevant documentation; (c) benchmarking against United Nations Secretariat and other agencies through desk reviews; (d) walk-throughs and assessment of internal controls existing in UNHCR’s systems, including Cloud ERP, Workday, COMPASS, PROMS and the United Nations Partner Portal (UNPP) used for funded partners registration and selection; (e) analytical reviews of data; (f) consideration of related findings from previous OIOS audits; and (g) assessment of the maturity of UNHCR’s fraud management framework against the Enterprise Anti-Fraud Maturity Assessment Model© five-point scale[4] reproduced in Appendix II

11. OIOS assessed the completeness of data by reviewing relevant data and electronic files hosted in the systems listed under paragraph 5, and by interviewing UNHCR staff. Except for the observations in section C, the data was sufficiently reliable for the purpose of addressing the audit objective.

12. The audit was conducted in accordance with the Global Internal Audit Standards.

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[2] Audit of resettlement practices at UNHCR (AR2019-164-01), Audit of the prevention, detection and response to fraud committed by persons of concern in the context of resettlement activities (AR2020-164-01), Thematic audit of mandate refugee status determination processes (AR2022-164-01), Audit of the arrangements for deduplication of beneficiaries of cash-based interventions in the Ukraine crisis (AR2023-121-02) and Audit of the use of Profile Global Registration System (AR2023-160-01).

[3] Policy on Addressing Fraud Committed by Forcibly Displaced and Stateless Persons (UNHCR/HCP/2024/03, 24 July 2024).

[4] Anti-Fraud Playbook: The Best Defense is a Good Offense, 2020, Grant Thornton LLP and Association of Certified Fraud Examiners.

III. AUDIT RESULTS

A. Governance and organizational culture

Need to reinforce the organization's governance over fraud

(a) Anti-fraud Strategic Framework needed updating

13. Through its 2013 Anti-Fraud Strategic Framework, UNHCR's zero-tolerance stance[5] set strong expectations for ethical conduct across managers, staff at large, contractors, consultants, partners, and other contractual counterparts. The framework was operationalized through the 2017 Handbook on Fraud and Corruption as well as the codes of conduct and contractual provisions in Partnership Framework Agreements for funded partners and the United Nations Supplier Code of Conduct for third-party suppliers that were meant to ensure that these entities upheld the highest ethical standards. The increasing complexity from changes in UNHCR's operating environment, reduced staffing in high-risk functions and the introduction of new entities, policies and systems outpaced the 2013 Strategic Framework. Thus, the framework requires realignment with these developments including technological changes arising from digitalization, cybersecurity vulnerabilities, and data-protection risks.

14. In particular, the developments resulted in discrepancies in the definitions of misconduct and fraud between the Strategic Framework and different UNHCR policies and its website which needed to be addressed. For instance, "theft and embezzlement" and "misrepresentation, forgery, false certification and/or failure to disclose a material fact" were considered general misconduct in the latter sources, yet they also met the Strategic Framework's definition of fraud. Further, the Strategic Framework did not distinguish between "fraud and corruption" from broader "misconduct" and clarify ownership for managing each, in line with the defined roles of the IGO, Ethics Office and other entities. The lack of definitional coherence created ambiguity in complaints intake and triage, impacted prioritization of complaints for investigation, and contributed to inaccurate reporting as noted under section E of this report.

(b) Need to strengthen the implementation of the fraud management framework

15. The Strategic Framework and 2017 Handbook on Fraud and Corruption supplemented by the broad 2022 Roles, Accountabilities and Authorities (RAAs) and defined roles in specific business areas such as for procurement cascaded fraud related roles and accountabilities from the High Commissioner to managers and functions across the organization. However, UNHCR had not designated a business owner with the clear authority, accountability and resources to coordinate the implementation of the Anti-Fraud activities across the organization. This was necessary considering that all staff were responsible for prevention, detection, and response, thereby requiring a designated entity to coordinate related risks, trends and emerging threats and anti-fraud efforts.

16. A coordinating role was necessary to: (a) operationalize the Strategic Framework and strengthen related accountability; (b) ensure application of fraud management policies across the organization; (c) ensure effective decision-making via timely escalation and resolution of issues; (d) avoid gaps and duplication of efforts by different entities; and (e) ensure continuous improvement through lessons learned.

[5] Zero-tolerance means that UNHCR will pursue all allegations falling under the scope of the Fraud Framework, and that appropriate administrative/disciplinary measures or contractual remedies will be applied where the allegations are substantiated.

(c) Weaknesses in building anti-fraud culture

17. The reinforcement of UNHCR's culture was important considering increased fraud risks arising from staff downsizing and downgrading. However, a periodic fraud-focused assessments covering cultural aspects had not been conducted and as a result, UNHCR did not have comprehensive information on aspects such as: (a) perceived integrity of senior leadership; (b) responsiveness to misconduct reports; (c) willingness to report unethical behavior; (d) clarity of reporting channels; (e) confidence in whistleblower protection; (f) consistency in disciplinary measures; (g) completion of ethics and fraud training; and (h) confidence in fraud prevention systems.

18. To build this culture, UNHCR made significant investments in fraud-awareness, such as mandatory training on Fundamentals of Fraud and Corruption Awareness, the annual fraud awareness week as well as training by the Enterprise Risk Management (ERM) Section, IGO, the Implementation Management and Assurance Service (IMAS)[6], and regional bureaux. UNHCR also deployed an online Anti-Fraud Resource Hub and supported some staff to obtain Certified Fraud Examiner certifications. However, the lack of a needs-based training plan resulted in fragmented and untracked capacity building which was insufficiently tailored to stakeholder groups or risk profiles.

19. OIOS assessed UNHCR's fraud governance arrangements maturity as "Initial" (level 2), with isolated elements approaching "Repeatable" (level 3) based on the fact that relevant policies were in place but they needed updating for relevance. The absence of operational coordination, holistic capacity building and an organizational culture assessment impacted the development of an anti-fraud culture, thereby undermining the effectiveness of anti-fraud initiatives.

(1) The UNHCR's Chef de Cabinet should reinforce the fraud related governance by: (a) designating a business process owner to coordinate the implementation of the Strategic Framework including organizational culture assessments; and (b) assigning responsibility to an appropriate division or entity to lead the updating of the Anti-fraud Strategic Framework.

UNHCR accepted recommendation 1 and stated that a business process owner would be designated to update the Strategic Framework for the Prevention of Fraud and Corruption, and to lead and coordinate its implementation after the management review and any subsequent reorganization are concluded. Work on the fraud risk assessment and associated mitigations would begin sooner and it would inform the longer-term update to the Strategic Framework for the Prevention of Fraud and Corruption.

B. Fraud risk assessment

Weaknesses were identified in fraud risk assessment

(a) Organization-wide fraud risk assessment not in place

20. Contrary to the Strategic Framework and Handbook on Fraud, UNHCR had not conducted an organization-wide fraud risk assessment at the time of the audit. It thus lacked a comprehensive view on UNHCR's exposure to fraud and the effectiveness of controls in mitigating related risks. The lack of an organization-wide fraud risk assessment impacted UNHCR's ability to proactively identify and manage fraud risks and focus its limited resources on areas that posed the greatest risks to the organization. It also

[6] IMAS transitioned to the Programme and Technical Support Service under the Division of Emergency and Programme Support.

hindered the effective oversight of areas identified as having high fraud risk by UNHCR's second and third lines as well as oversight by its oversight and governance committees.

21. The ERM Section's plans to conduct this assessment were impacted by lack of resources and competing priorities. It however instead coordinated a rapid fraud risk assessment in 2025, which did not provide a comprehensive view of where and how fraud occurred across UNHCR. It instead focused on the short-term impact of funding cuts and downsizing in 2025,[7] that provided a high-level overview of emerging risks and which concluded that staff reductions weakened controls in an increasingly high-fraud environment. Also, the rapid pace of numerous changes in 2025 impacted UNHCR's ability to update risks over time, assess their impact on the control framework and operational environment and implement relevant mitigating measures. For instance, the erosion of segregation of duties remained unmitigated and this was exacerbated by some functions being replaced by temporary personnel who at times lacked the capacity needed for independently reviewing transactions.

(b) Weaknesses in entity level fraud risk assessments

22. In line with UNHCR's Policy on Enterprise Risk Management (2024), the ERM Section deployed anti-fraud mitigation checklists, risk management tools and training packages to support entities in conducting fraud risk assessments. The audit noted that UNHCR had identified 186 fraud and corruption risks[8] in its entity risk registers as of 23 May 2025, with 20 per cent rated as high and 77 per cent as medium. Sixty-one per cent of these risks related to people management, ethics and integrity, funded partnerships, supply chain, finance, and cash-based interventions. Geographically, the then East and Horn of Africa and Great Lakes (now East and Southern Africa) region accounted for the highest proportion of identified risks (38 per cent), followed by Europe (29 per cent).

23. While the assessments above showed a commendable level of fraud risk identification, they did not reflect the true level of fraud exposure and effective mitigation measures by entities as noted below.

- Entities identified fraud risks so as to comply with requirements and not to mitigate those that were prevalent within their operational contexts. For example, fraud risks were listed without specifying underlying schemes and effective mitigations to address risks. The requirement to maintain streamlined risk registers also led entities to consolidate multiple functions, causes, and consequences into single high-level risk statements thereby reducing the specificity and effectiveness of fraud risk identification and mitigation efforts.
- The focus of other assessment tools in use such as the internal control assessments/questionnaires for funded partners was on implementation capacity rather than identifying fraud risks. For example, partners in Ethiopia, Pakistan, Bangladesh and Chad were assessed as being low risk despite them operating in high fraud risk environments and OIOS audits identifying red flags for fraud.

(c) Organizational risk appetite not defined

24. The issues above were compounded by the lack of an organizational risk appetite statement to guide operational decision-making on what constituted acceptable or unacceptable risk exposure across locations. The defined risk appetite was yet to be implemented and required reconsideration in light of the changed circumstances since 2025. Without clear boundaries for acceptable risk, there were inconsistencies in

[7] This included (a) the merging and dissolution of entities; (b) reductions of up to 50 per cent of staff numbers; (c) the downgrading of some staff positions; and (d) the increased reliance on temporary and affiliated personnel for service delivery.
[8] Excluding fraud committed by displaced and stateless persons.

decision-making, risk reporting and escalation. For example, there were inconsistences noted in the handling of funded partners with confirmed fraud not consistently flagged in the UNPP and very few debarred, others requested to pay back lost funds, and others not impacted.

25. OIOS assessed UNHCR's fraud risk assessments arrangements as "Initial" (level 2), with elements approaching "Repeatable" (level 3) considering the work of the ERM Section in driving risk assessments across all entities, which provided a foundation for an organization-wide fraud risk assessment.

(2) The UNHCR's Chef de Cabinet, in collaboration with the Design Development and Risk Service, should finalize the risk appetite statement and embed it in risk management processes to guide decision-making and unify the risk culture.

UNHCR accepted recommendation 2 and stated that DDRS would update the risk appetite in line with the organization's new operating environment prior to its issuance. Guidance on risk management would reference to the Global Risk Appetite Statement and explain how it should be reflected in decision making and in the setting of target risks levels. A new 'target risk' functionality would also be deployed in the online Risk Register Tool ahead of the 2027 risk review.

(3) The UNHCR Design Development and Risk Service should: (a) conduct an organization-wide fraud risk assessment; and (b) ensure that complementary fraud risk assessments are conducted for high-risk entities and activities.

UNHCR accepted recommendation 3 and stated that DDRS would lead an organizational fraud risk assessment in the second half of 2026. Based on this assessment high fraud risk operations would be identified and supported in conducting targeted fraud risk assessments meant to identify operation-specific fraud exposures. Most of the work would be completed by early 2027 but the conducting of complementary fraud risk assessments by high-risk entities might be delayed due to resource constraints.

C. Fraud prevention and detection

Weaknesses in internal controls impacted UNHCR's fraud resilience and accountability

26. OIOS assessed the adequacy and effectiveness of preventive and detective control activities in place in areas identified in entity risk registers as having a high exposure to fraud at UNHCR, i.e., finance, supply, funded partners and recruitment, and identified key weaknesses in the design, implementation and oversight over fraud preventive and detective controls, as detailed below.

(a) Omissions in the design of fraud preventive and detective controls

27. **Recruitment due diligence**: UNHCR's recruitment due diligence framework provided multiple verification layers, such as integrity screening, reference checks and employment and academic credential validation. However, the audit identified weaknesses in the design of the reference check process, where the Recruitment and Assignments Policy (2025) allowed approving authorities to override negative reference checks and appoint candidates that did not fully meet required qualifications. This increased the risks of favoritism, undue influence and the selection of unsuitable candidates. Additionally, UNHCR's screening requirements were not differentiated by the seniority of positions, reducing the effectiveness of due diligence for roles carrying higher levels of risk.

28. **Funded partners due diligence and framework**: Although the revised partnership procedures applied a common due-diligence framework to all funded partners, government entities assessed as high fraud risk were exempt from certain key requirements, including UNPP registration and protection from sexual exploitation and abuse capacity assessments. Consequently, they did not provide the structured human resources, governance, and safeguarding information expected of other partners, thereby limiting UNHCR's ability to conduct related due-diligence as noted in the OIOS audit of government partners (AR2022-168-01). Further, as noted in the OIOS audits of project control (AR2024-168-01) and government partners, country operations noted that changes to the partnership management framework in 2023 impacted fraud controls. For example, partners were no longer required to provide staff lists and operations lacked the authority and procedural triggers to request for additional payroll information or enforce cost-sharing requirements in countries like Ethiopia, Uganda and Sudan.

29. **Monitoring controls**: Monitoring controls were not effectively designed and adequately embedded in business processes to ensure sustained fraud resilience and accountability. For example, there were no controls in the Cloud ERP system for monitoring low value purchases and this impacted the identification of circumvention of procurement processes. Further, the limited number of performance metrics in Workday including publishing of statistics[9] undermined trust and transparency of recruitment processes.

(b) Non-compliance with policies, procedures, guidelines and administrative instructions

30. An analysis of recommendations issued between 2021 and 2024 revealed that 73 per cent of OIOS audit findings were related to non-compliance with laid down policies and procedures and staff were not held accountable for risks that materialized including fraud. This situation was expected to be further exacerbated by the reduction of resources and organizational capacity by almost half in 2025. Although UNHCR did not have a dedicated compliance function driving compliance organization-wide, the roles were embedded in the RAAs for the second line. Examples of non-compliance with UNHCR policies which eroded the controls designed to prevent, detect, and deter fraudulent activity are provided below.

31. **Non-compliance with supply policies**: Contrary to guidelines, purchases totaling $30.7 and $24.5 million in 2022 and 2024 respectively were submitted for committees of contracts approval after execution, i.e., ex-post facto. Also, rejected ex post facto notifications by committees on contracts due to recurrent or serious non-compliance were not consistently reported to IGO, as required by the Administrative Instruction on the Rules and Procedures of UNHCR Committees on Contracts (2022). Furthermore, as noted by OIOS in the Ethiopia, Bangladesh and Chad audit reports, the IGO noted that high-value purchase orders that required elevated approval levels were frequently bypassed through the use of operational advances or by splitting transactions into smaller amounts. These practices reduced oversight, increased exposure to fraud and mismanagement, and if tacitly tolerated by senior management, could further amplify organizational risk.

32. **Non-compliance with financial instructions:** OIOS review of financial controls identified significant compliance gaps with the implementation of required segregation of duties, including the existence of staff with financial approval roles without signed Delegation of Authority Acceptance Forms (DAAF), a key control meant to reinforce the personal accountability of relevant staff. This was corroborated by the IGO which noted in an investigation of fraud at a field operation that systematic efforts by staff to circumvent financial controls related to the Delegation of Authority and Role Provisioning (DOARP) had created significant compliance and governance risks.

[9] While some recruitment speed metrics were monitored internally, publishing other indicators such as vacancies by contract type and staff category, recruitments inside/outside compendiums, cases reviewed by central bodies, average time to hire, stage-specific durations, internal vs. external hires, re-advertisement rates, and recruitment complaints could enhance transparency.

33. **Non-compliance with policy for managing funded partners:** Systemic weaknesses identified among funded partners contributed to irregularities as well as potential fraud in partners' projects in Somalia, Ethiopia, Kenya, Pakistan and Chad.[10] The recurrent weaknesses and resultant financial losses indicated that there were conceptual issues with UNHCR's partnership framework which if unaddressed would heighten fraud risks. Further, despite the high volume of irregularities, the level of accounted fraud related to partners remained comparatively low, i.e., only $256,647 in 2024. This comparatively low figure reflects challenges in evidentiary thresholds, limited investigative coverage, and the fact that many irregularities are classified as non-compliance or weak controls rather than meeting the stricter criteria required to substantiate fraud.

(c) Gaps in anti-fraud controls in IT systems

34. The OIOS audit of UNHCR's BTP systems (Report 2024/011) identified weaknesses which impacted the systems' effectiveness in fraud prevention and detection:

- **Deferred functionalities**: The deferral of key functionalities in the BTP systems and introduction of manual workarounds in place of automated compliance checks weakened their ability to prevent and detect fraud.
- **Inconsistent use**: There was limited end-to-end processing of procurements within Cloud ERP at the time of the audit due to the phased adoption of supply modules. For instance, a review of $47.5 million worth of purchase orders showed inconsistencies in data entry and documents uploaded.
- **Design issues**: Users of the Cloud ERP system could be assigned roles enabling them to execute the entire procurement-to-pay process single-handedly, with violations going undetected. Cloud ERP also did not have a proper audit trail with the date on which user roles were granted not being available in the system Additionally, systems such as COMPASS lacked version control as well as audit trail to provide transparency and traceability of user activity.
- **Integration gaps**: The standalone BTP systems were not well integrated and this compromised UNHCR's ability to compare data in different systems and flag exceptions for management action.
- **Data driven monitoring gaps**: Monitoring remained limited due to insufficient system data and data analytics tools to detect control failures, suspicious patterns and policy violations, e.g., segregation of duties violations. For instance, Cloud ERP and COMPASS did not generate exception reports and this prevented managers and oversight functions from having visibility of transactions that were non-compliant with policies. This heightened the organization's exposure to errors and fraud risk.

(d) Inadequate oversight

35. UNHCR's oversight functions were meant to support the detection of fraud. However, the second line operated primarily in a supportive role rather than exercising oversight, which amongst other things contributed to the non-compliance noted above. The effectiveness of the second and third line was undermined by budget cuts of at least 30 and 25 per cent, respectively. Gaps in the operation of UNHCR's review committees also impacted their ability to detect fraud as noted below.

- OIOS country audits in Ethiopia, Bangladesh, Pakistan and Zambia, noted that operations flouted procurement procedures but they were not identified for rectification by committees on contracts.

[10] Audits of operations in Somalia (report 2024/076); Ethiopia (report 2024/99); Ethiopia (report 2024/100); Kenya (report 2025/023); Chad (assignment AR2023-111-02).

This was to be addressed through a revised policy and IGO's liaison with the Vendor Review & Ethics Committee to debar suppliers found not compliant with the UN Supplier Code of Conduct.

- OIOS audit reports in Bangladesh, Pakistan, Chad and Ethiopia raised questions on the effectiveness of IPMCs in related selection processes considering extent of identified risks in funded partners.
- A survey[11] covering Joint Review Board (JRB) and Assignment Committee (AC) members responsible for recruitment raised concerns about recruitments being impacted by vague shortlisting criteria, weak documentation, and potential bias. The two Committees was also impacted by incomplete and delayed submissions, unaddressed clarification requests, confidentiality breaches, pressure from senior managers, and limited independence of national staff on ACs. DPM noted that these issues would be addressed through a revised policy and a dedicated JRB/AC support team.

36. These issues collectively heightened exposure to opportunistic and systemic fraud risks. Thus, OIOS assessed the overall maturity of fraud controls as "Initial" (Level 2).underscoring the need for a more robust and coherent fraud-control environment.

(4) The UNHCR's Chef de Cabinet, in collaboration with the Design Development and Risk Service, should: (a) coordinate the implementation of actions to strengthen fraud control activities identified through the organization-wide fraud risk assessment; and (b) strengthen oversight of organizational compliance with policies through a review of second-line guidance and anti-fraud capacity.

UNHCR accepted recommendation 4 and stated that Design Development and Risk Service (DDRS), in collaboration with Division of Resource Management, Division of People Management, Division of Emergency and Programme Support and Information Technology Service, would develop a risk-based fraud reduction strategy to address control gaps identified in the fraud risk assessment. This would include identifying and prioritizing second-line activities in high-risk areas, considering the organizational restructuring and reduction-in-force process, which may affect the role and capacity of the second line. DDRS would monitor implementation and escalate unresolved issues to the Chef de Cabinet.

D. Fraud investigation and corrective action

<u>Need to reinforce processes for managing complaints on partners and suppliers</u>

(a) Limited resources to assess complaints and where necessary conduct investigations

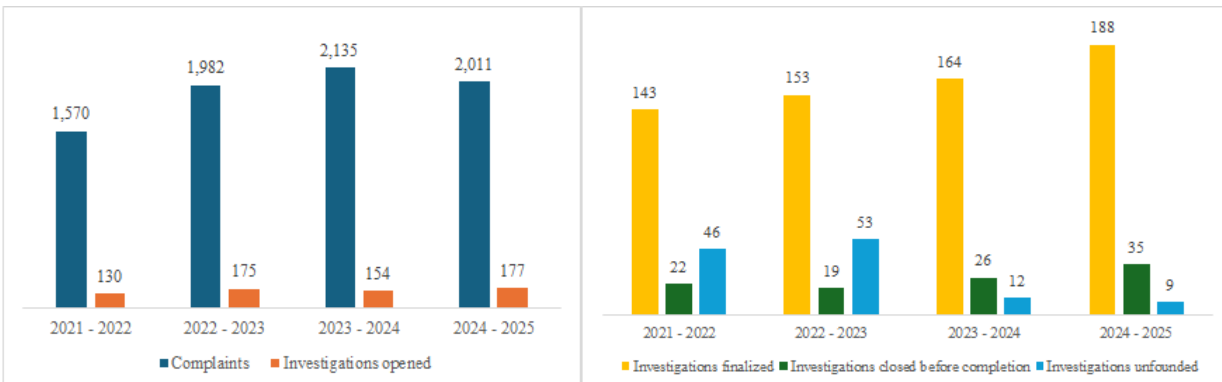
37. IGO was designated to receive, assess and investigate complaints about misconduct. UNHCR received, through the IGO, 7,698 complaints between July 2021 to June 2025.[12] Most complaints were related to sexual exploitation and abuse (18 per cent), financial fraud (16 per cent) and refugee status determination/resettlement (14 per cent). Over 60 per cent of complaints originated from the three African sub-regions and the Middle East and North Africa but as noted in the IGO's 2025 Quarter 3 report, there were gaps in reporting across certain entities and regions. Further, only one case had been reported through

[11] OIOS sent a survey to 150 JRB and AC members, representing approximately 30 per cent of total population, and received 39 responses, representing a 26 per cent response rate.
[12] These complaints do not refer only to fraud. As per the Administrative Instruction on Conducting Investigations in UNHCR (UNHCR/AI/2019/15), "complaint" is defined by UNHCR as any claim, concern or information which is reported, indicating conduct that may be investigated. These complaints included cases of fraud and corruption, as well as other misconduct.

the Speak Up Helpline in the audit period. Although this was attributed to the temporary closure of the helpline between 2024 and early 2025, it also reflected limited effectiveness of the helpline as a reporting channel. IGO launched a Speak Up campaign in November 2025 to build awareness around the helpline.

38. Figure 1 below shows that while there has been an increase in the number of complaints over time, the number of investigations has not grown commensurately. UNHCR initiated 636 investigations between July 2021 to June 2025, i.e., eight per cent of the complaints received. An average of 45 per cent of received complaints was closed after intake assessment, 43.5 per cent referred internally or externally to funded partners, OIOS or other United Nations entities, and about 3.5 per cent were carried over to the following period. IGO noted that its ability to conduct assessments and launch investigations was impacted by limited resources, inadequate supporting information, and level of materiality of cases, i.e., significance or importance of cases.

Figure 1: Complaints received and investigations opened between July 2021 and June 2025[13]



39. Regarding the quality of investigations, the investigations function was due for its next periodic External Quality Assessments in 2026, which was considered best practice for ensuring methodological rigor, independence, and continuous improvement.

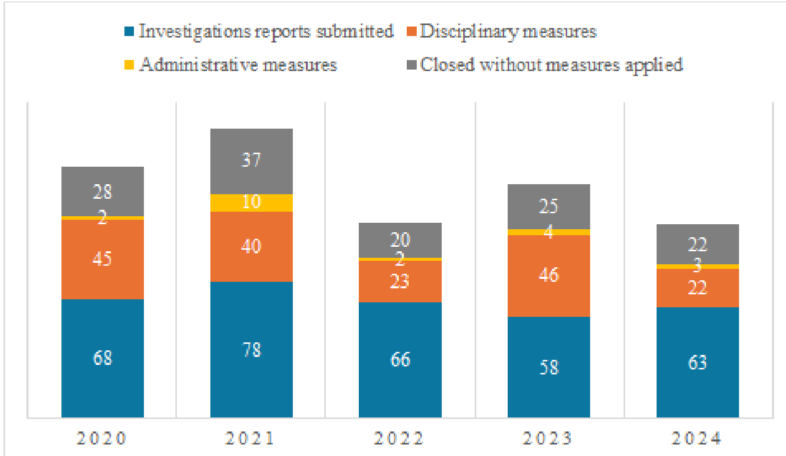
(b) Disposal of confirmed misconduct cases

40. IGO referred 333 confirmed misconduct cases between 2020 to 2024, involving UNHCR staff and affiliated workforce to the DPM Director for possible disciplinary actions and to LAS for legal analysis. The separation of investigations from decision-making preserved the independence of the process. Decisions of the disciplinary action were made by the High Commissioner and this included written censure, salary penalties, demotion or loss of promotion eligibility, separation or dismissal, and/or financial recovery where losses occurred. Only 197 (59 per cent of the total) confirmed staff and affiliates misconduct cases resulted in sanctions/disciplinary action. LAS attributed the limited number of sanctions to personnel resigning or separating from UNHCR before the conclusion of the investigation or disciplinary process.

41. Figure 2 reflects the disposition of confirmed cases between 2020 and 2024 including 201 disciplinary measures applied to staff, of which 114 staff and affiliates separated from the organization. The recovery rate of assessed losses was low, at 17 per cent due to constraints related to cross-jurisdictional challenges and the privileges and immunities applied to United Nations organizations.

[13] Source: Annual reports on activities of the Inspector General's Office

Figure 2: Disposition of confirmed misconduct cases between 2020 and 2024[14]



42. Comprehensive data was not available to support the auditors' analysis of investigations opened, substantiated, and disciplinary measures taken by staff category. However, an analysis of data in the High Commissioner's reports on disciplinary measures showed that 61 per cent of sanctions, including the heavier ones, i.e., 85 per cent of the dismissals, terminations of contract and separations from service were applied to locally recruited, affiliates and junior staff.

(c) Referred complaints related to partners and suppliers not followed up

43. IGO did not always investigate assessed cases but referred on average 43.5 per cent of cases to relevant Divisions for further action or to funded partners. As per the contractual framework with funded partners, the latter are responsible for investigating fraud allegations in-house. The IGO recorded 12 substantiated fraud cases involving funded partners and 417 referrals for investigation to partners or IMAS between 2022 and 2024. However, follow-up was inadequate, with limited information on recovery of losses, or the application of sanctions and corrective measures. Identically, there were seven cases of substantiated investigations of fraud involving suppliers, without information of their outcome. This was caused by lack of mechanisms to track and communicate the status, decisions and actions taken with regard to referrals and omissions in the definition of responsibilities for tracking centrally this information.

44. The High Commissioner communicated annually to all staff information on disciplinary measures for misconduct and cases of criminal behavior. IGO also reported its activities to the Executive Committee on an annual basis. Lessons learned from investigations were documented through management implication reports but their dissemination remained limited to select senior and middle management audiences. Broader sharing to promote learning, and without compromising confidentiality, should be systematically pursued. The IGO was preparing an information note on prevalent investigation themes to highlight key risks, support staff learning, and strengthen fraud deterrence.

45. OIOS assessed UNHCR's fraud response arrangements as "Initial" (level 2), with some elements approaching "Repeatable" (level 3) regarding accessible reporting channels, structured investigative processes, and functional case management systems for staff. However, better clarity was required on the process for tracking the status of investigations, decisions and actions taken once misconduct was confirmed.

[14] Source: Annual reports on Practice of the High Commissioner in disciplinary matters and cases of criminal behavior. The closed cases include those where personnel resigned or separated from UNHCR before the conclusion of the disciplinary process.

(5) The UNHCR Inspector General's Office (IGO) in coordination with the Division of Emergency and Programme Support, should reinforce organizational processes for systematically tracking the status of investigations, decisions and actions taken regarding misconduct complaints on suppliers and partners referred to the IGO.

UNHCR accepted recommendation 5 and stated that IGO notes the recommendation to systematize the tracking of cases involving partners and suppliers, including the management actions taken after substantiated allegations. The IGO confirmed that the existing case management system already tracks all allegations received, from the initial assessment to any subsequent investigation and its outcome and allows this information to be readily retrieved. Information on investigations and the corresponding management actions involving suppliers and partners has been consolidated into one spreadsheet and there is no longer a need for manual interventions to retrieve the information from different systems. IGO considers the recommendation as implemented.

E. Monitoring and reporting

Need to strengthen fraud monitoring and reporting

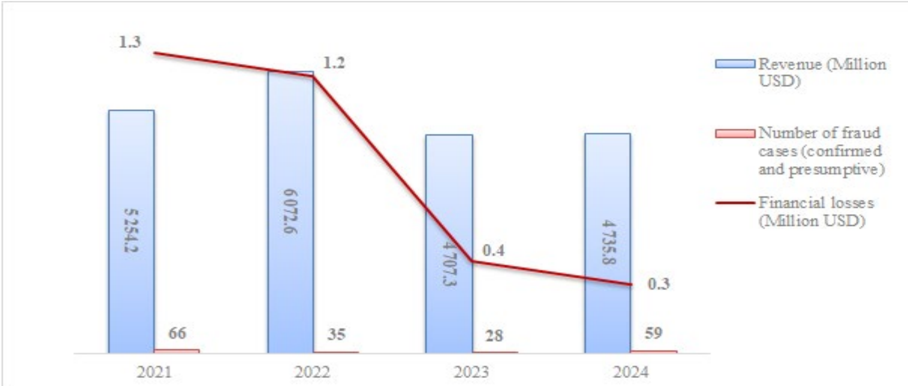
46. UNHCR did not have a performance framework to support continuous fraud risk monitoring and evaluation of the effectiveness of the fraud risk management framework in identifying root causes and trends as well as assessing the effectiveness of mitigation controls. For instance, IGO listed in its quarterly reports the number of complaints received but this did not provide an overall view of UNHCR's fraud risk.

47. UNHCR reports to the General Assembly on fraud through the transmittal of its financial statements audited by the Board of Auditors, as well as through annual reports on activities of IGO to the Executive Committee. These reports provide aggregated statistics on complaints, investigations, and fraud, but they do not include a substantive assessment of the effectiveness of UNHCR's fraud strategic framework. UNHCR needed to move beyond case counting towards evaluating whether controls were well designed and operating effectively and mitigating actions reduced risks over time. This would provide governing bodies with actionable assurance on whether the framework is achieving its intended objectives.

48. Figure 3 below reflects the downward trend of financial losses and an average financial loss of 0.01 per cent of UNHCR annual revenue to fraud. However, the fraud loss rate was understated when compared to estimates by the Association of Certified Fraud Examiners (ACFE) for nonprofit organizations that placed the rate at 2.5 per cent[15]. UNHCR fraud losses were also very low compared with those of the United Nations Secretariat (an average of 0.11 per cent from 2021 to 2023) and of other sister organizations (e.g., the WFP reported an average of 0.44 per cent in the same period). The low rate indicated that there may be gaps in fraud detection and/or in its reporting.

[15] Occupational Fraud 2024: A report to the Nations.

Figure 3: UNHCR revenue and fraud reported from 2021 to 2024



49. Hence, this component is assessed at an "Ad hoc" maturity level (Level 1), with basic monitoring in place but lacking strategic direction. While reporting mechanisms functioned adequately, the absence of fraud-related performance indicators constrained the organization's ability to evaluate the effectiveness of its fraud risk management framework. Without defined targets, monitoring remained reactive and fragmented, limiting its value for decision-making, oversight, and fraud resilience.

(6) To promote accountability, the UNHCR Design Development and Risk Service should develop a monitoring framework to evaluate the effectiveness of the fraud risk management framework.

UNHCR accepted recommendation 6 and stated that DDRS would develop the monitoring framework as part of the organizational fraud risk assessment and fraud reduction strategy. This will include defining a set of risk, control and red flag indicators to support the evaluation of the effectiveness of anti-fraud measures in flagging exceptions. This framework will be incorporated into the second line guidance.

IV. ACKNOWLEDGEMENT

50. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

Internal Audit Division
Office of Internal Oversight Services

ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[16]/ Important[17]	C/ O[18]	Actions needed to close recommendation	Implementation date[19]
1	The UNHCR's Chef de Cabinet should reinforce the fraud related governance by: (a) designating a business process owner to coordinate the implementation of the Strategic Framework including organizational culture assessments; and (b) assigning responsibility to an appropriate division or entity to lead the updating of the Anti-fraud Strategic Framework.	Important	O	Receipt of an updated Anti-fraud Strategic Framework.	31 December 2027
2	The UNHCR's Chef de Cabinet, in collaboration with the Design Development and Risk Service, should finalize the risk appetite statement and embed it in risk management processes to guide decision-making and unify the risk culture.	Important	O	Receipt of risk appetite statement.	30 June 2027
3	The UNHCR Design Development and Risk Service should: (a) conduct an organization-wide fraud risk assessment; and (b) ensure that complementary fraud risk assessments are conducted for high-risk entities and activities.	Important	O	Receipt of organizational fraud risk assessment and targeted fraud risk assessments for high-risk entities.	31 December 2027
4	The UNHCR's Chef de Cabinet, in collaboration with the Design Development and Risk Service, should (a) coordinate the implementation of actions to strengthen fraud control activities identified through the organization-wide fraud risk assessment; and (b) strengthen oversight of organizational compliance with policies through a	Important	O	Receipt of: (i) a risk-based fraud reduction strategy to address control gaps identified in the fraud risk assessment; and (ii) actions to strengthen the second line's oversight functions	31 December 2027

[16] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.
[17] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.
[18] Please note the value C denotes closed recommendations whereas O refers to open recommendations.
[19] Date provided by UNHCR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[16]/ Important[17]	C/ O[18]	Actions needed to close recommendation	Implementation date[19]
	review of second-line guidance and anti-fraud capacity.				
5	The UNHCR Inspector General's Office in coordination with the Division of Emergency and Programme Support, should reinforce organizational processes for systematically tracking the status of investigations, decisions and actions taken regarding misconduct complaints on suppliers and partners referred to the IGO.	Important	C	NA	Implemented
6	To promote accountability, the UNHCR Design Development and Risk Service should develop a monitoring framework to evaluate the effectiveness of the fraud risk management framework including tracking completion of corrective actions.	Important	O	Receipt of the framework for monitoring effectiveness of fraud risk management.	31 December 2027

APPENDIX I

Management Response

APPENDIX I

MANAGEMENT RESPONSE

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[20]/ Important[21]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
1	The UNHCR's Chef de Cabinet should reinforce the fraud related governance by: (a) designating a business process owner to coordinate the implementation of the Strategic Framework including organizational culture assessments; and (b) assigning responsibility to an appropriate division or entity to lead the updating of the Anti-fraud Strategic Framework.	Important	Yes	Chef de Cabinet	31.12.2027	Following the conclusion of the management review and any potential subsequent reorganization, a business process owner will be designated to update the Strategic Framework for the Prevention of Fraud and Corruption and to lead and coordinate its implementation. This will be a significant undertaking that will be done amid constrained resources and will need to begin only following the conclusion of the management review and associated reorganization. As such, a lead time is expected. To mitigate ongoing residual high risks, work on the fraud risk assessment and associated mitigations (as outlined in response to recommendations 3 and 4) will begin sooner. This work could also inform the longer-term update to the Strategic Framework for the Prevention of Fraud and Corruption. Target completion will be Q4 2027.
2	The UNHCR's Chef de Cabinet, in collaboration with the Design Development and Risk Service, should finalize the risk appetite statement and embed it in risk management processes to guide	Important	Yes	Chief Risk Officer	30.06.2027	DDRS will update the draft risk appetite statement to align it with our new operating environment, consult on it and issue it. New 'Target Risk' functionality will also be deployed in the online Risk Register Tool ahead of the 2027 Risk Review.

[20] Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.
[21] Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

MANAGEMENT RESPONSE

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[20]/ Important[21]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
	decision-making and unify the risk culture.					Guidance on risk management will make reference to the Global Risk Appetite Statement and explain how it should be reflected in decision making and in the setting of target risks levels. Target completion will be Q2 2027.
3	The UNHCR Design Development and Risk Service should: (a) conduct an organization-wide fraud risk assessment; and (b) ensure that complementary fraud risk assessments are conducted for high-risk entities and activities.	Important	Yes	Chief Risk Officer	31.12.2027	DDRS will lead an organizational fraud risk assessment in the second half of 2026. Based on this assessment high fraud risk operations will be identified and support will be offered to these operations to undertake operation specific fraud risk assessments. Significant work will be undertaken in 2026 and early 2027 but given resource constraints it may take longer to ensure that all high-risk entities and activities have complementary fraud risk assessments. Target completion will be Q4 2027
4	The UNHCR's Chef de Cabinet, in collaboration with the Design Development and Risk Service, should (a) coordinate the implementation of actions to strengthen fraud control activities identified through the organization-wide fraud risk assessment; and (b) strengthen oversight of organizational compliance with policies through a review of second-line guidance and anti-fraud capacity.	Important	Yes	Chief Risk Officer	31.12.2027	As part of the organizational fraud risk assessment DDRS will develop a risk-based fraud reduction strategy (in close collaboration with other divisions and services, including DRM, DPM, DEPS and ITS) with a set of prioritized actions to address control gaps and further reduce residual risk levels in consideration of costs and expected benefits. DDRS will monitor the completion of these actions and escalate outstanding issues to the Chef de Cabinet.

MANAGEMENT RESPONSE

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[20]/ Important[21]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
						With regards to part b) and the review of second line capacity, it should be noted that following the activation of the reduction in force policy and the ongoing management review and strategy review, the future shape and nature of the UNHCR second line, as well as the level of resources available for it, remain highly uncertain. It is very likely that overall second line capacity will be reduced, hence, reinforcing existing capacity may not be possible. Nevertheless, the organizational fraud risk assessment will identify the risk-based prioritization of second line activities and second line capacity will be focused on high fraud-risk areas as part of organizational redesign. It is expected that the majority of work to implement this recommendation will take place in 2026 and early 2027. However, given the possibility of extensive changes to the second line, addressing part b) fully may require more time. Target completion will be Q4 2027.
5	The UNHCR Inspector General's Office in coordination with the Division of Emergency and Programme Support should reinforce organizational processes for systematically tracking the status of investigations, decisions and actions taken regarding misconduct	Important	Yes		Implemented	Inspector General's Office notes the recommendation to systematize the tracking of cases involving partners and suppliers, including the management actions taken subsequent to substantiated allegations. The IGO confirmed that the existing case management system already tracks all allegations received, from the

MANAGEMENT RESPONSE

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical[20]/ Important[21]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	UNHCR comments
	complaints on suppliers and partners referred to the IGO.					initial assessment to any subsequent investigation and its outcome and allows this information to be readily retrieved. As information on investigations and the corresponding management actions involving suppliers and partners is systematically saved and retrievable, the IGO considers the recommendation as implemented.
6	To promote accountability, the UNHCR Design Development and Risk Service should develop a monitoring framework to evaluate the effectiveness of the fraud risk management framework including tracking completion of corrective actions.	Important	Yes		31.12.2027	As part of the organizational fraud risk assessment DDRS will develop, together with relevant divisions and services as well as regional bureaux, a fraud reduction strategy including a set of risk, control and red flag indicators that will evaluate the effectiveness of anti-fraud measures and flag exceptions. Once the indicators are established, a framework for monitoring them and following up on exceptions will be incorporated into the second line following reforms in light of the management and strategy reviews. Target completion will be Q4 2027

APPENDIX II

Enterprise Anti-Fraud Maturity Assessment Model©

Audit of arrangements for fraud prevention, detection and response at the Office of the United Nations High Commissioner for Refugees