



Evaluation of in-donor costs for asylum seekers and quota refugees in Iceland

Consulting department

-

17. December 2021



Table of contents

3 Introduction

5 Current status - summary

9 Ways to the future - options for improvement

14 Proposal for future arrangements - implementation and execution

18 Iceland's policy and methodology - summary

22 Evaluation - current status after evaluation questions

Annex 35



Introduction

Basis for work

Introduction

On 16 September, KPMG and the Ministry for Foreign Affairs (MFA) signed an agreement on an evaluation of in-donor costs for asylum seekers and quota refugees in Iceland. Associated costs that were accounted as overseas development assistance (ODA) by Iceland amounted to just over 7 billion Icelandic kronur (ISK) over the period 2016-2020.

The aim of the evaluation was to assess the working methods and procedures for reporting costs incurred domestically due to asylum seekers and persons seeking international protection, which were classified as international development cooperation costs. Emphasis is placed on examining efficiency and effectiveness as well as whether Iceland's methodology is in accordance with law, Iceland's international obligations and the definitions of the OECD Development Assistance Committee (DAC).

In accordance with the terms of reference (ToR) published during the micro-tender process and to further define the scope of the work, KPMG submitted an inception report, followed by this final report. It consists of the following sections:

- Current situation summarized - goals, implementation and deviations.
- Ways for the future
- Suggestions for the next steps
- Iceland's policy and methodology
- Evaluation of current arrangements - evaluation questions discussed, and color code used to highlight KPMG evaluation
 - Red = large deviation
 - Green = OK
 - Yellow = opportunity for correction
- Appendix - summary of evaluation questions, KPMG methodology, interviewees and a list of data and sources.

Contacts

Steinþór Pálsson

Consulting department

Partner

 545 6230

 steinthorpalsson@kpmg.is

Hildur Tryggvadóttir Flóvenz

Consulting department

Manager

 545 6041

 htflovenz@kpmg.is

Anna-Bryndís Zingsheim Rúnudóttir

Consulting department

Associate

 545 6146

 abzrunudottir@kpmg.is

Disclaimer

The implementation of the work and priorities are in accordance with an agreement between KPMG and the Ministry for Foreign Affairs from September 2021. This report was based on data that KPMG requested access to and was handed over. It is also based on interviews with key staff in relevant ministries and agencies. See the list of data inspected in the appendix under sources. No specific data reliability assessment has been carried out, but it is assumed that these are reliable sources. KPMG is not responsible for updating the content and conclusions of the report in the case where any events or informations that may be disclosed at a later date. KPMG is not responsible for any decisions made on the basis of the report's findings.



Current status

- summary

Objectives

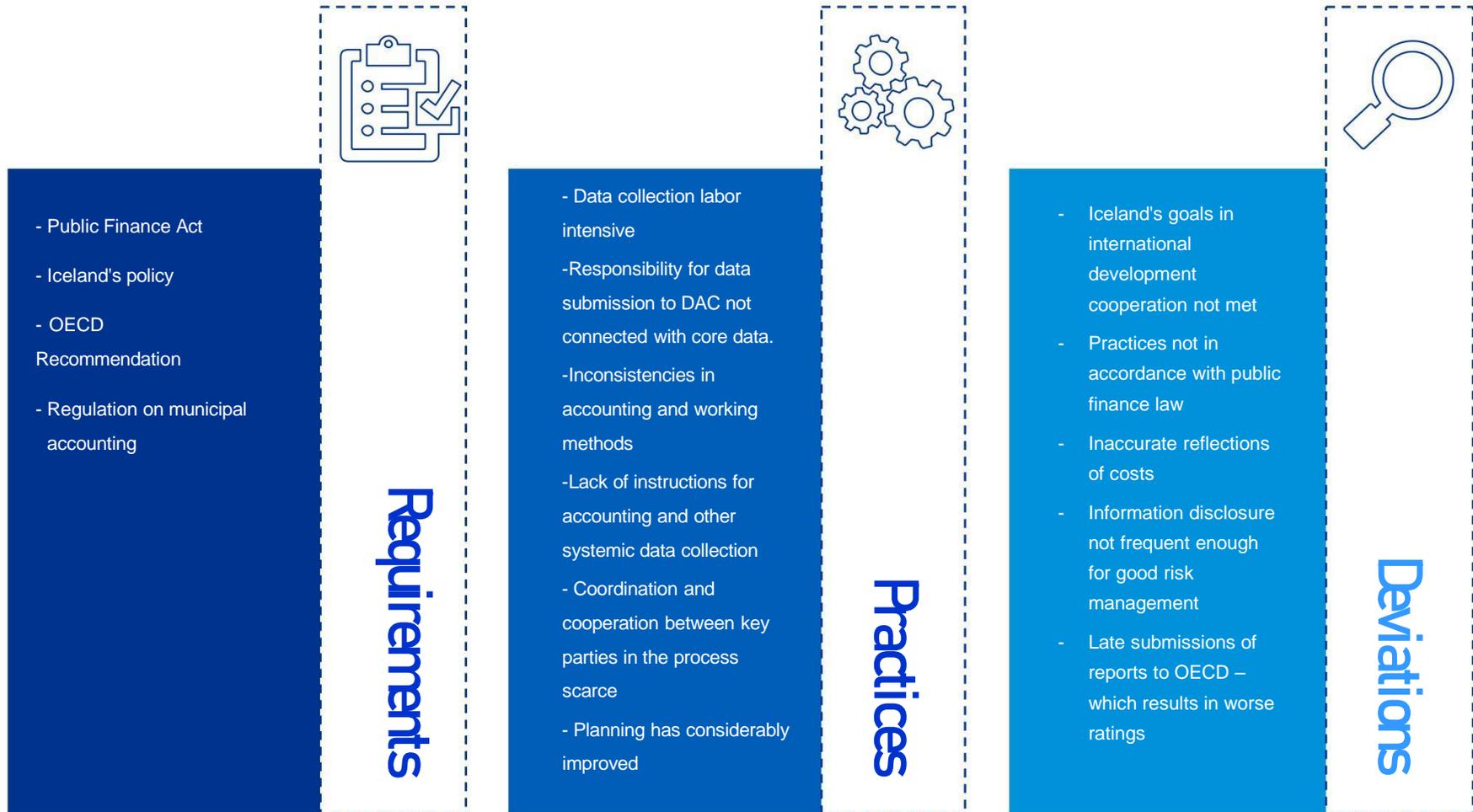
Increase efficiency, effectiveness and coherence in data collection, analysis and disclosure.

To **comply with public finance laws** regarding the frequency of reporting, disclosure, risk management and oversight of deviations from plans.

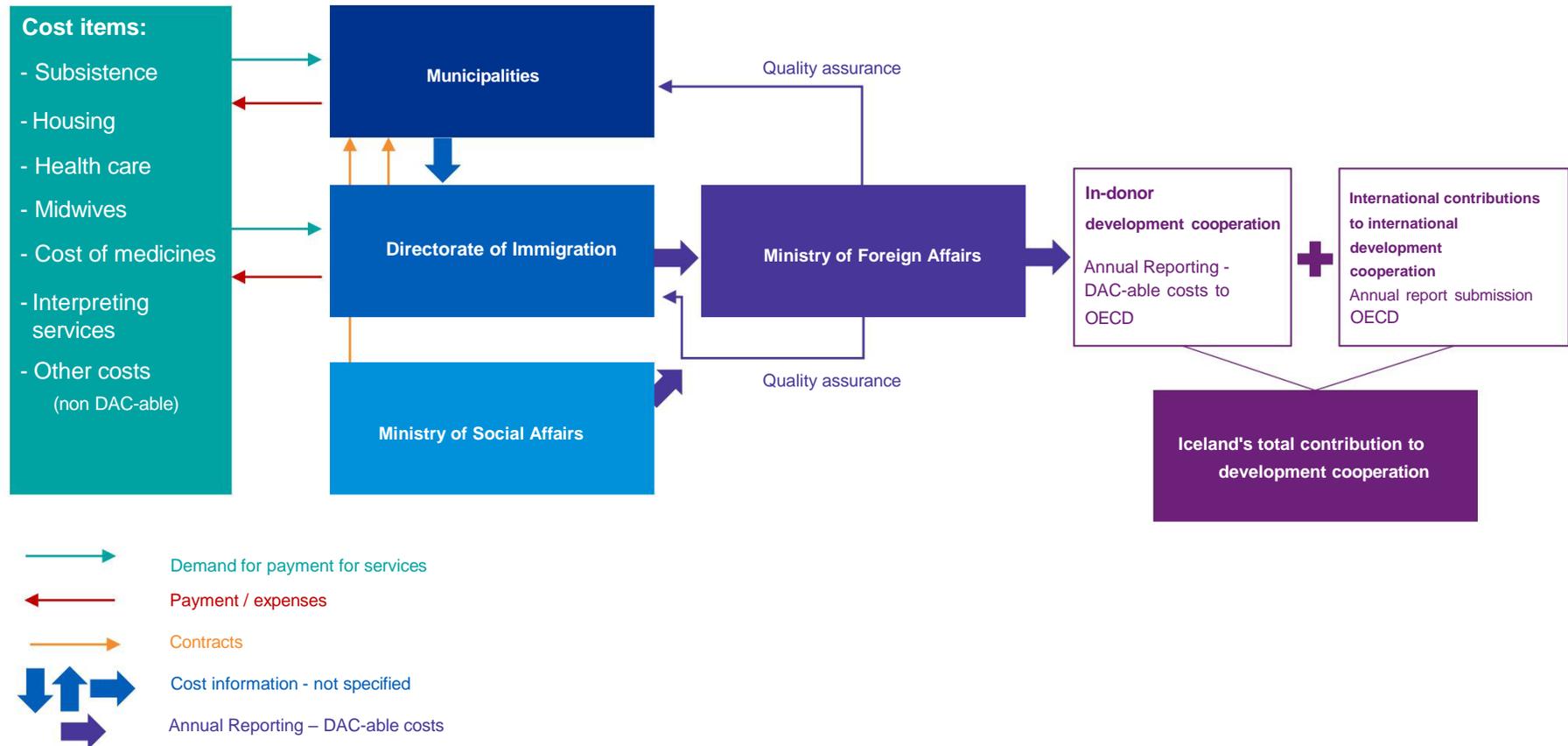
Detailed information on development co-operation costs at any given time to support **expenditure management in accordance with Iceland's policy and objectives.**



Implementation and deviations



Flow - simplified presentation





Ways for the future

Ways for the future – potential options

 <p>Path 1</p> <p>Current approach with more frequent reporting</p>	 <p>Path 2</p> <p>Classify of costs right from the start</p>	 <p>Path 3</p> <p>Centralized data processing</p>
<p>Based on the current methodology, but information on costs is submitted to MFA on a quarterly basis. Increased process coordination. *</p> <p>Gain</p> <ul style="list-style-type: none"> - A well-known methodology that gradually will work smoother. <p>Challenges</p> <ul style="list-style-type: none"> - Continued manual work. - Continued possibility of errors in the declaration of costs. - More frequent submissions and increased work involved in providing information. 	<p>Separation of DAC-able and non DAC-able costs immediately upon entry into the accounting systems, by collecting relevant information from municipalities and the Directorate of Immigration (ÚTL). Coordinate working methods, among other things, by adapting the regulation on municipal accounting. Educate and support shifts in practices. Quarterly submissions of information to Statistics Iceland and MFA. *</p> <p>Gain</p> <ul style="list-style-type: none"> - Easy and frequent disclosure. - Reduced manual work while gathering information. - More detailed information. - Increased control over the status of costs. <p>Challenges</p> <ul style="list-style-type: none"> - Coordination of accounting practices between different parties. - Building knowledge and training of staff. - Information provided by service providers. 	<p>Information collected and costs booked immediately with links to individual social security number. The status of each individual specified by the National Registry and linked to the ID number. Regular submissions by municipalities and ÚTL to a defined database - where reports such as DAC-eligible costs can be processed by synchronizing with the National Registry's social security number. *</p> <p>Gain</p> <ul style="list-style-type: none"> - More detailed information and cost breakdown - Reduced manual work during compilation costs at the end of the year <ul style="list-style-type: none"> - Real cost visible at any given time. - Increased control over the status of costs and easier response to deviations. - Detailed planning. <p>Challenges</p> <ul style="list-style-type: none"> - System integration - data structure. - Knowledge and training of staff in accounting. - Possible legal changes to allow data processing and sharing in this manner. - Providing information from service providers.

* Further described on the following pages.

Current approach with more frequent data



submissions

1

More frequent submission
of data to UTN

In order to comply with the law on public finances, the provision of information needs to be significantly improved. Establish a quarterly report based on the current system and methodology of Iceland.

2

Increased co-operation
between all stakeholders

Establish a consultation forum for all parties involved in the process to improve data recording, acquisition and analysis and information provision.

Classification of costs right from the start



1 Information gathering and administration

It is important that people seeking protection receive a social security number that accompanies them throughout the process until they receive protection or rejection. It facilitates overview and increases security. This work has started well at ÚTL and National Registry. There is also a need to improve the collection of information and administration for asylum seekers and refugees in order to be able to identify the number of those who fall under acceptable costs.

2 Coordinated booking Of costs

The booking of costs is coordinated between municipalities in such a way that costs are classified according to the relevant sub-keys that indicate whether the costs are DAC-able or non DAC-able, based on the Icelandic system and better management of individuals' information. Booking costs with ÚTL regarding the same services that municipalities provide to people seeking protection will be booked in the same way as by municipalities.

3 Information flow and procedures

Adapt a regulation on municipal accounting, set procedures such as relevant data records related to the issue. Improve information and training regarding services to people in search of protection and refugees on what counts as development cooperation costs. Accounting staff in municipalities and ÚTL, as well as other municipal staff who work with services for refugees and people seeking protection require training.

4 More frequent information flow to UTN

In order to increase supervision and manage deviations from the actual contribution to development co-operation from Iceland's policy in these matters, quarterly reports on the actual costs of the most recent period must be prepared. It will also be possible to respond to deviations based on the plan for domestic and international development co-operation costs (see p. 8) in accordance with the Public Finance Act which provides effective supervision of funds. Reporting to UTN and Statistics Iceland in accordance with other municipal reports to Statistics Iceland

5 Increased co-operation between all stakeholders

Establish a forum for consultation between all parties involved to work for continuous improvement.



Centralized data processing

1

Information gathering and management

It is important that people seeking protection receive a single social security number that accompanies them throughout the process until they receive protection or rejection. It facilitates overview and increases security and creates the opportunity to extract relevant information. This line of work with one social security number has started at ÚTL and National Registration (Þjóðskrá). There is also a need to improve the collection of information and administration for asylum seekers and refugees in order to be able to identify the number of those who fall under acceptable costs.

2

Data structure and

In order to be able to break down costs to an individual, relevant information is needed, such as country of origin, date of arrival, etc., in order to manage an individual's status and connection to the social security number, it is a good data arrangement and return of data in a defined and convenient way in a common database. It would be appropriate to have some kind of dashboard on top of the base to see the state of affairs in a simple way at any given time.

3

Change in registration cost

Instead of classifying costs in accounting only by cost items, it is also entered in key figures. At the same time, the registration of the status of individuals with ÚTL and Þjóðskrá needs to be maintained, which is then updated in the dashboard.

4

Information flow and procedures

Set procedures for what information should be kept track of and how costs should be registered. Increased flow of information that part of the cost of services for people seeking protection and refugees can be included in development cooperation costs and what the cost items are. Training staff in municipal accounting and ÚTL is needed and other municipal staff who work with services for refugees and people seeking protection.

5

More frequent submission of information to UTN

In order to increase monitoring and manage deviations from the contribution to development cooperation from Iceland's policy in these matters, it must be possible to break down the DAC-compatible costs with a dashboard on top of a database - provided that submissions are made to that database on a regular basis. In this way, it is possible to view real data when needed and submit quarterly reports as Public Finance act state in order to respond to deviations.

6

Increased co-operation between all stakeholders

Establish a forum for consultation between all parties involved to work for continuous improvement.

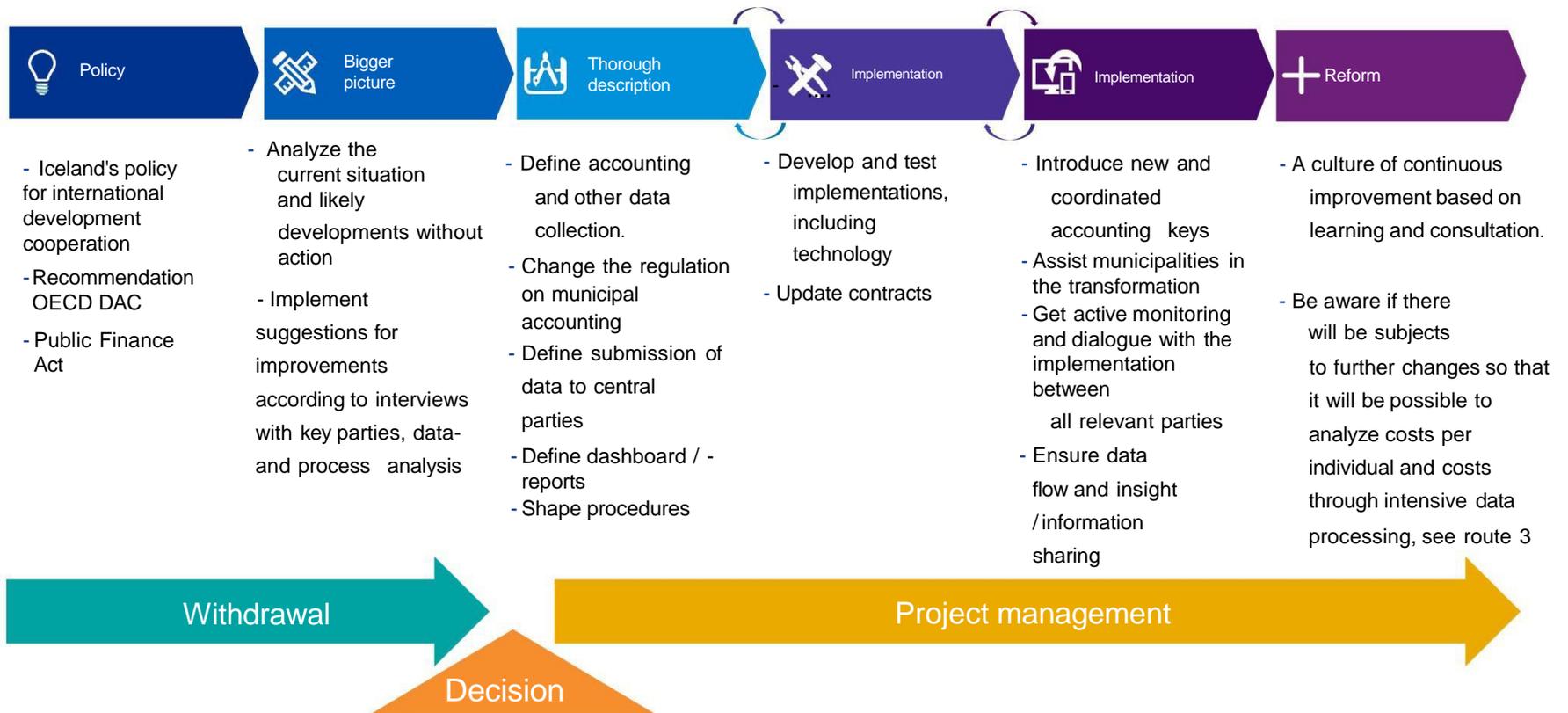


Proposal for future arrangements and next steps

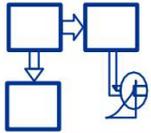
Reforms - future arrangements



When examining implementation, it is KPMG's proposal that it is appropriate to change the approach and working method in order to achieve better defined goals. KPMG's proposal is that the classification of costs takes place right from the start, cf. route 2 which is described in more detail in the section above. A decision needs to be made and subsequent systematic steps taken to implement the changes. Below is a rough description of the key steps in that regard.



Key factors to keep in mind



Trajectories

Explains functionality, connections and context of booking, breakdown and cost declaration.



People and practices

Defines competencies, sphere of authority, practices and procedures, and performance expectations.



Technology

Explains the technology needed to register, analyze, and report costs as efficiently as possible



Data structure and insight

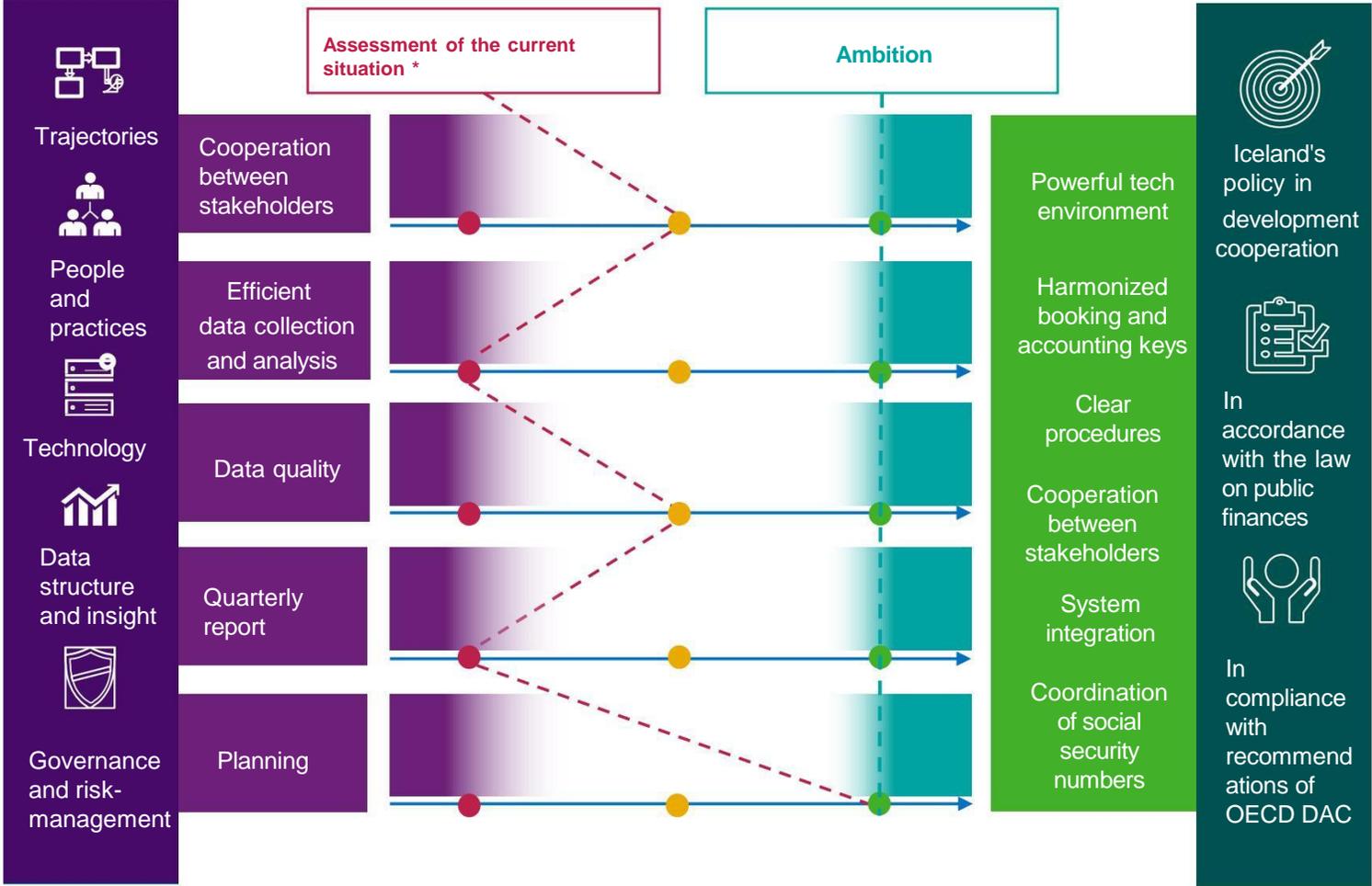
Defines data, analysis and dashboard for informed decision-making, reports within municipalities, to ministries, to other institutions and to the OECD in accordance with public finance law and to generally support the purposeful use of funds.



Governance / risk-management

Clarifies risk management policies, policies and controls, and supports timely and efficient decisions in accordance with public finance laws.

Holistic performance management - key factors



* See more under the section *Audit*.



Iceland's policy and methodology

Iceland's policy on development cooperation

The Icelandic government supports the United Nations' (UN) goal that industrialized nations provide 0.7% of its gross national income (GNI) to international development cooperation. The mean of OECD DAC nations averaged 0.31% in 2017 and it is Iceland's policy to be above that average in 2021.

Iceland's policy on international development cooperation is set out in a parliamentary resolution on the policy on international development cooperation 2019-2023 and was approved by Althingi in May 2019. It states that Iceland's total contribution to development cooperation has increased significantly since 2013 and aims to increase Iceland's total contribution to development cooperation will be 0.35% of GNI for the year 2022

The financial plan for 2021-2025 assumes that the contribution to international development cooperation will increase by 25% between 2021 and 2025, in addition to which it is estimated that the ratio of GNI to development cooperation will have reached 0.35% in 2022. Further government goals can be seen in picture to the side.

The accurate ratios, however, were 0.28% in 2018, 0.24% in 2019 and 0.26% in 2020. The increase in the ratio for 2021 has not been confirmed yet.

The government's target for the ratio of GNI to development cooperation						
2019	2020	2021	2022	2023	2024	2025
0,28%	0,30%	0,32%	0,35%	0,35%	0,35%	0,35%

OECD DAC recommendation and Iceland's definition

OECD DAC Recommendation

According to the OECD recommendation, the following may be included as development cooperation costs:

- Costs that arise before the application for protection has been rejected.

Authorized costs incurred during the first 12 months.

According to OECD recommendations, the following may not be included as development cooperation costs:

- Costs for applicants from defined safe countries.
- Costs for applicants who have received protection in other states.
- Costs for various specialist services related to welfare and purchased services and are considered adaptation and are not part of the application process.
- All costs incurred after 12 months.

Definition of Iceland in accordance with OECD DAC recommendations

The report of a working group on the impact of the OECD DAC's new recommendations from July 2020 breaks down individual cost items for refugees and people seeking protection and defines which costs can be counted as development cooperation costs and which costs are not covered.

This breakdown of costs by refugees and people seeking protection, including domestic development cooperation costs, has been approved by the OECD. The division of costs can be seen here to the side.

Authorized cost items:

- Housing costs (rental of housing, electricity and hot water)
- Daily subsistence allowance (food, other necessities, etc.).
- Health services (drug costs, health care, midwives).
- Specialist services (psychologists, social workers, interpreters) .
- Bus pass.
- Applies only to quota refugees: December compensation, school costs (special support and school meals), travel costs from country of origin and child benefit.

Unauthorized cost items:

- Other specialist services and photographers
- All other school costs
- Sports and leisure, leisure center
- Specific medical costs
- Wage and operating expenses
- Maintenance services
- General security and rescue work
- Involvement of the police in the process
- Red Cross services in accordance with an agreement with ÚTL.
- Housing (purchases and construction products)

Iceland's current methodology

Iceland's methodology for declaring development cooperation costs which falls to domestic

Costs are divided into four items:

1. Applicants for protection who come on their own initiative and are rejected for protection (for up to 12 months from application until rejection is confirmed).
2. Applicants for protection who come on their own and receive protection in Iceland (for up to 12 months from application until protection is confirmed).
3. Individuals who come to Iceland and receive protection due to family ties (for 12 months from arrival in the country).
4. Quota refugees (for 12 months from arrival in the country) and refugees who have received protection (for up to a total of 12 months, including the processing time for an application for protection).

Costs due to items 1-2, ie. for individuals who come on their own, is subject to ÚTL and ÚTL's agreements with municipalities. The cost of item 4 falls under the Ministry of Social Affairs (FRN) and that ministry's agreements with municipalities.

Methodology 2018 and 2019

Following the new OECD DAC recommendations, cost-benefit analysis was carried out in accordance with the new recommendations.

For people seeking protection, accounting data from ÚTL and municipalities with a contract with ÚTL were collected and those cost items that did not fall under the OECD DAC recommendation were deducted.

Subsequently, the number of applications, the number of persons coming from safe states and those receiving protection elsewhere, among the processing time of all types of proceedings and the number of applications ending in rejection were analyzed.

Subsequently, the methodology for calculating eligible costs was divided into three:

1. People seeking protection:

- Total costs deducted from the unreasonable costs. So the percentage of the number of individuals who 1) come from safe countries, 2) those who have been in the process for more than 12 months and 3) the percentage of the number of days and individuals after the application is rejected is deducted.

2. Refugees receiving protection:

- Charges for refugees for the remaining 12 months from the time they applied for protection.

3. Quota refugees and people coming because of family ties:

- Accepts costs for 12 months from the date of arrival together with everyone contributions from the International Migration Organizations (IMO).

Methodology 2020

There were changes in emphasis when calculating costs in the year 2020.

1. People seeking protection:

- ÚTL: Total cost deducted from cost items which are considered for adaptation and are not considered acceptable and the average cost per person per day is calculated based on the number of individuals.

The average cost per day multiplied by the average processing time and the number of individuals in the procedure who are considered DAC-compliant, instead of subtracting the proportions.

Municipalities : Percentage from the year 2018 used to calculate the cost of municipalities.

2. Refugees and people coming because of family ties:

- Costs that municipalities return according to an agreement with the Ministry of Social Affairs, plus costs from the IMO.



Assessment of current arrangements

Relevance

Are projects defined and carried out in accordance with the established framework according to Iceland's policy and needs?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories	<p>Does Iceland fulfill obligations in litigation in accordance with the law and international commitments?</p>	<p>The Public Finance Act assumes for careful preparation of plans, efficient and cost-effective management and active supervision of funds. The Minister shall also publish a report on the progress of public finances on a quarterly basis and it shall be compared with the objectives of the financial plan. The Icelandic government supports the United</p>	<ul style="list-style-type: none"> - It is proposed that registered cost for refugees will be coordinated between municipalities - on certain keys and registration of other relevant information about refugees and asylum seekers. - It is proposed that the booking of costs and other information for people seeking protection be harmonized municipalities and at Directorate of Immigrants (ÚTL). - It is proposed that procedures be drawn up on how costs should be registered and what information should be kept for reasonable costs - and it should be examined in this connection whether it is appropriate to update the regulation on municipal accounting. - It is proposed that municipalities receive education on development cooperation costs and information flow increased between all parties involved, at municipalities and other institutions. - It is proposed that the cost be compiled quarterly and presented in the Minister's quarterly report.
 People and Practices		<p>The Icelandic government supports the United Nations (UN) goal of industrialized countries providing 0.7% of GNI for international development cooperation. The parliamentary resolution on the policy on international development cooperation 2019-2023 states that the aim is for the proportion of international development cooperation to amount to 0.35% in 2022.</p>	
 Technology		<p>The issues of refugees and people seeking protection fall under two different ministries, in addition to which the Foreign Ministry (UTN) is responsible for development cooperation costs. Municipalities are also involved in the issue.</p>	
 Data-structure and insight		<p>Iceland's current methodology is based on the 'average method.' Following the application of a new methodology for calculating eligible costs under the OECD DAC, Iceland has not met its target for development cooperation.</p>	
 Governance and risk-management		<p>There is no standardized process or guidelines on how the parties involved in the issue should manage DAC-eligible costs, and are different methods used in each location for managing costs and presenting them. Information is collected once a year and usually takes a lot of work to process information. In 2020, the accounting from Iceland was submitted too late to the OECD, which led to a worse rating for Iceland in those matters.</p>	
		<p>In accordance with this, KPMG considers that Iceland does not fulfill its obligations in accordance with the Public Finance Act with regards to efficiency and effective control of funds. As data is only collected annually and is collection and process of information done in various ways.</p>	

Relevance

Are projects defined and carried out in accordance with the established framework according to Iceland's policy and needs?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories  People and Practices  Technology  Data-structure and insight  Governance and risk-management	<p>Is the recommendation followed in accordance with the definitions of the OECD DAC?</p>	<p>Iceland's current methodology is based on a specific approach method as systems and processes do not support the exact booking of costs for individuals seeking protection or who have refugee status.</p> <p>Iceland's methodology has been taken out and approved by the OECD DAC. It looks at the average cost per person, the average treatment time and the number of individuals in the relevant processes. It is described in more detail on p. 21.</p>	<p>- See proposals for the development of work methods presented in this report under the chapter <i>Roads to the future</i></p>

Relevance

Are projects defined and carried out in accordance with the established framework according to Iceland's policy and needs?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories	<p>Is the demarcation of Iceland's projects comparable to the neighboring countries?</p>	<p>A comparison was made between the methodology in Iceland and the methodology in Finland and Ireland.</p> <p>Finland's methodology</p> <p>Finland's approach is in many respects comparable to Iceland's approach to domestic development cooperation costs and a general approach to covering the scope and services of related factors to people seeking protection and refugees. In Finland, several ministries, the Finnish Immigration Service, municipalities, other institutions and companies provide services to people seeking protection and refugees. Like Iceland, the municipalities serve refugees following protection and quota refugees. The methodology for reporting costs is also similar to that used in Iceland, but the average method and the same algorithm are used. However, where the cost is calculated differs from what is done in Iceland. Instead of the ministries and agencies that are involved in the issue send the total amounts to the Ministry of Foreign Affairs, which is responsible for calculating the cost of equipment, each ministry takes care of this separately and only sends information to the Ministry of Foreign Affairs about the acceptable cost. This was done following co-operation between ministries in defining acceptable cost items.</p> <p>Ireland's Methodology</p> <p>As in Iceland and Finland, different ministries deal with people's issues in search of protection and refugees. However, no distinction is made between people seeking protection and refugees and does the approach of ministries depend their field of work, not whether they are people seeking protection or refugees. The methodology for reporting costs is also quite different. A special committee collects data and calculates eligible costs according to the OECD DAC and uses the averages of previous years and the figures are therefore not based on actual costs. According to experts from the Irish Ministry of Foreign Affairs who were interviewed, the calculation is time consuming and involves manual work. The conversation also led to the the idea to stop listing the cost of people in search of protection and refugees as development cooperation costs due to the hard work that goes into its calculation, as Luxembourg does now.</p>	<p>- It's suggested to og will be improved, cf. route 2 above.</p>
 People and practices			
 Technology			
 Data-structure and insight			
 Governance and risk-managemnt			

Efficiency

How well are resources utilized, is budgeting and economy safe guarded?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories  People and practices  Technology  Data-structure and insight  Governance and risk-management	<p>Is the government's plan for spending international development cooperation done in a sensible manner?</p>	<p>Total contributions to international development cooperation are estimated based on each year's goals and are based on two assumptions; on one hand, approved the proportion of total contributions to international development cooperation from GDP that is stated in the policy on development cooperation and on the other hand on the basis of estimated GDP</p> <p>The Ministry of Justice estimates the costs incurred by people seeking protection and the Ministry of Social Affairs for refugees and base them on a forecast of the number of applicants for protection and quota refugees. The plan is published in each year's budget.</p> <p>The plan for 2020 was based on the average cost of the last two years (plus forecasts of the number of people seeking protection and refugees) and will the next plan be based on the average of 2018, 2019 and 2020 as 2020 was special and no quota refugees were accepted. In previous years, planning was based on set ratios of total costs for people seeking protection and refugees according to the Ministry of Finance's (FJR) calculation principle, and there was a considerable error between the plan and actual costs after the OECD DAC's new recommendation came into force.</p> <p>KPMG opinion is that planning has improved significantly with a new approach.</p>	<p>- It is proposed that improvements be made Option 2 above to facilitate cost analysis that supports the pre-made plan.</p>

Efficiency

How well are resources utilized, is budgeting and economy safe guarded?

Evaluations	Topics	Current status and practices	Suggestions for improvement
N / A	Is the operational scope of the projects acceptable and are the funds truly used for the projects defined within development cooperation?	<p>The scope of work that different parties put into analyzing cost declarations is discussed on p. 28.</p> <p>It was estimated that part of this evaluation would have a closer examination of the municipal accounting data and thus examine whether funds were indeed used for the projects defined within development cooperation. Data were requested from the two municipalities under review, but satisfactory data was not received from either of them.</p> <p>As stated earlier in this report, there is an inconsistency in the booking of costs and management of information in the municipalities that were examined, and no distinction is made in the accounting of acceptable and unacceptable costs. It was stated in conversations with the municipalities that they know little about what costs are acceptable and further instructions on their submission of data to ministries are not coordinated.</p> <p>The Department of Statistics and Finance at MFA's International and Development Cooperation Office oversees data collection for DAC-eligible costs. When all the data has been received and when calculated the eligible costs, the data is checked for quality in regards to the OECD DAC recommendations and are random samples taken from the municipal accounts and the Directorate of Immigrants to verify that there are actual acceptable costs.</p> <p>KPMG does not assess whether funds are actually used for the projects defined within development cooperation where satisfactory data for inspection were not received.</p>	

Efficiency

How well are resources utilized, is budgeting and economy safe guarded?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories  People and practices  Technology  Data-structure and insight  Governance and risk-management	<p>What is the scope of the work that different parties put into analyzing the accounting of OECD DAC eligible costs?</p>	<p>MFA oversees data collection and calculation of eligible costs in accordance with OECD DAC recommendations. Municipalities, the Directorate of Immigration (ÚTL) and the Ministry of Social Affairs and Business are also involved in the data collection and calculation. Most of the costs are taken out by the Directorate of Immigration and the municipalities with an agreement with the Ministry of Social Affairs and Directorate of Immigration. The costs are booked at the appropriate party.</p> <p>Municipalities provide information on the total cost of refugees to the Ministry of Social Affairs. As there is no consistency between the booking of costs and the management of information about individuals by these parties, their work in compiling costs is different.</p> <p>The Ministry of Social Affairs and Business breakdowns the costs for refugees in advance before submitting the information to MFA. According to information from the ministry, this work involves a lot of manual work, especially for people who have received protection.</p> <p>Directorate of Immigration collects and submits information on the total cost of people seeking protection to the MFA, including the costs produced by municipalities for people seeking protection which is paid by Directorate of Immigration on the basis of the agreements. Although the total cost is returned, the breakdown has already been processed with the deduction of items that are not acceptable according to OECD DAC and calculates the percentage of costs of agreements with municipalities. Directorate of Immigration also provides information on the number of people in the process, the number of new applications, countries of origin and processing time so that acceptable costs can be calculated. A great deal of work goes into obtaining this information for the calculation of eligible costs.</p> <p>MFA receives information, reviews it and makes a final calculation of acceptable costs following a quality review of the data before the information is submitted to the OECD DAC.</p> <p>All the interviewees said that a lot of work goes into collecting the cost of people seeking protection and refugees and calculating what part of it is eligible according to the OECD DAC recommendation. It is also clear that a large part of the work lies with Directorate of Immigration.</p> <p>It is KPMG's opinion that an optimization would lie in being able to differentiate the acceptable cost immediately upon booking, whether this would be done by booking the cost per person and dividing into acceptable and unacceptable costs or each invoice booked as acceptable or unacceptable as appropriate.</p>	<ul style="list-style-type: none"> - It is proposed that people seeking protection receive one social security number at the start of the process that accompanies them for all service providers. - See further suggestions in the section Ways to the future.

Effectiveness

To what extent have projects achieved their tasks?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories  People and practices  Technology  Data structure and insight  Governance and risk-management	Are the methods and the demarcation applied in the methodology for reporting the development of co-operative capital that has been discussed, suitable?	<p>The methodology that has been used since the new OECD DAC recommendation came into force is described in the chapter <i>Policy and Methodology of Iceland</i>. In the chapter it is stated that the methodology has evolved since 2018 and due to 2020, the algorithm for reporting costs was changed to simplify the processes and reduce manual labor.</p> <p>Given the current situation of the parties involved in the project and the systems used by those parties, it is difficult to analyze costs down to individuals and thus obtain an exact actual cost.</p> <p>Given the current situation, KPMG believes that the current methodology for reporting domestic development cooperation costs is appropriate and in line with what is being done in comparison countries. However, KPMG believes that there is room to significantly improve the methods for data collection and calculation in order to make it more efficient.</p>	<ul style="list-style-type: none"> - It is suggested that people in search of protection gets one social security number at the beginning of the process that accompanies them with all service providers. - See proposals for improvements in the discussion of whether Iceland fulfills its obligations under law and international obligations on p. 23.

Effectiveness

To what extent have projects achieved their tasks?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 <p>Trajectories</p>  <p>People and practices</p>  <p>Technology</p>  <p>Data structure and insight</p>  <p>Governance and risk-management</p>	<p>Are planning and data submissions carried out efficiently, is the quality of the data sufficient?</p>	<p>The economic planning is discussed under the topic <i>Is the government's plan for spending on international development cooperation done in a sensible arrangement?</i></p> <p>Municipalities Municipal data submissions for refugees to Ministry of Culture and Business Affairs (FRN) are processed in a fairly efficient manner, but in different ways depending on the municipality, as has been stated. Data quality has improved according to information from FRN. Municipalities with a contract for services to people seeking protection do not submit data for that service and receive payment from the Directorate of Immigration according to an agreement and it the Directorate maintains information on who is in the service of which municipality.</p> <p>Directorate of Immigration As has been stated before, a lot of manual work is involved in compiling data from the Directorate of Immigration, but information needs to be collected from the Directorate's accounting- and case systems and coordinate it so that it is possible to calculate acceptable costs incurred by the Directorate. The Directorate also collects payments to municipalities on the basis of agreements and calculates acceptable costs based on a fixed percentage that was found on the basis of analytical work in 2018. Municipal finances are not analyzed.</p> <p>Ministry of Culture and Business Affairs (FRN) As has been stated, there is considerable manual work involved in compiling data at the Ministry of Culture and Business Affairs, especially in regards to people who have received protection. The number in that group has increased significantly in recent years and does the workload increase in accordance to that.</p> <p>KPMG believes that planning has improved, but that the efficiency of data processing could be better. It would be best if the data would be processed immediately at the cost point. KPMG also considers the method of calculating the percentage of costs for municipalities with an agreement with the Directorate of Immigration based on figures from 2018 without further examination of accounting data, weaken the quality of the data and increase the likelihood of errors in declared costs.</p>	<ul style="list-style-type: none"> - It is proposed that procedures be drawn up on how costs should be booked and what information should be kept for reasonable costs. - It is proposed to change the methods, cf. route 2 in the section <i>Paths to the future</i>.

Effectiveness

To what extent have projects achieved their tasks?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories  People and practices  Technology  Data structure and insight  Governance and risk-management	<p>Can the authorities software be improved and / or use other methods of data collection, analysis and submission?</p>	<p>Most of the costs that are considered DAC eligible comes down to the municipalities and the Directorate of Immigration. The municipalities that were examined use the accounting system Microsoft Dynamics NAV and the Directorate of Immigration uses the service Orri. The municipalities also keep track of other information regarding refugees and people seeking protection in their case systems, such as the Director of Social Affairs but the Directorate of Immigration in the case system Erlendur.</p> <p>No assessment was made as to whether the systems can be integrated in such a way as to make it easier to monitor the actual costs that are considered acceptable according to the OECD DAC. It was stated by the municipalities that were interviewed that they considered it possible to book costs down to an individual. It was also stated that if they received clear instructions, it would be possible to differentiate immediately upon booking whether there were acceptable or unacceptable costs, ie. due to the time frame, type of service and other factors in accordance with the OECD DAC recommendation. The parties assessed that without examining whether information was integrated into systems, it could, however, increase the work of declaring costs. It was also stated in a conversation with ÚTL that it was possible to reduce costs per person with information from the systems available at the institution.</p> <p>KPMG has received information that work is being done to coordinate the use of social security numbers at the Directorate of Immigration and the National Registry for asylum seekers, and considers this important for future efficiency.</p>	<ul style="list-style-type: none"> - It is proposed that the municipalities receive education and clear guidance on what constitutes eligible costs under the OECD DAC. - It can be seen in the continuation of the feasibility of taking route 3 - managing the costs of individuals and at the same time having information down on key figures about their status - and obtain information with powerful data processing.

Effectiveness

To what extent have projects achieved their tasks?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories  People and practices  Technology  Data structure and insight  Governance and risk-management	<p>Are the proposals made in the report of the working group for the implementation of the new DAC recommendation regarding cost declaration sensible, and what is the status of the implementation?</p>	<p>The working group's proposals for the implementation of the new DAC recommendation for the declaration of cost six and a summary of them can be seen in the appendix on p. 42.</p> <p>KPMG believes that the recommendations made by the working group are sensible and largely in line with the results of this evaluation. The following is a summary of the status of the implementation of the working group's proposals according to the information that KPMG was able to obtain:</p> <p><i>1. Installation of Iceland's total contribution:</i></p> <ul style="list-style-type: none"> - The total contribution to international development cooperation was not included under the same issue in the 2021 budget as proposed. Nor was it done for the budget proposal for 2022. <p><i>2. Improved planning and information provision:</i></p> <ul style="list-style-type: none"> - A plan for national development cooperation costs for the year 2020 was based on actual figures from the years 2018 and 2019 and this was the first time it was based on actual figures. This method of planning has been approved. The methodology for calculating has also developed since 2018 and is based on real figures, although the approximation method and averages are used. 	<ul style="list-style-type: none"> - It is proposed that a party be defined that supervises the implementation of the working group's proposals so that an overview of reforms of the project is in one place. - It is proposed to work in close cooperation with municipalities, Directorate of Immigration and the ministries involved in the project with implementation of the proposals and other changes that may be made.

Effectiveness - cont.

To what extent have projects achieved their tasks?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories  People and practices  Technology  Data structure and insight  Governance and risk-management	<p>Are the proposals made in the report of the working group for implementation of the new DAC recommendation regarding cost declaration sensible, and what is the status of the implementation?</p>	<p>3. Better data analysis of municipalities:</p> <ul style="list-style-type: none"> - In recent years, efforts have been made to coordinate the reception of refugees regardless of route to the country. As no quota refugees arrived in the country in 2020 due to the Covid-19 pandemic, a new arrangement will not be tried until now in the year 2021. - The municipalities do not differentiate in their data whether the costs by refugees or people seeking protection are acceptable under the OECD DAC or not. On the other hand, costs are classified in accounting according to cost items and it is therefore easier to identify which cost items are considered DAC acceptable and which are not. <p>4. Municipal evaluations:</p> <ul style="list-style-type: none"> - No assessment has been made of the services of municipalities at the reception of refugees and the scope of that service, but according to the working group's report, the basis for such an audit is that the key figures that are currently being worked on have been harmonized. <p>5. Reform work is transparent:</p> <ul style="list-style-type: none"> - With a new methodology for calculating eligible costs according to the OECD DAC transparency has increased and the provision of information has improved from what it was before. KPMG is of the opinion that in order to achieve real transparency and good information, key figures need to be harmonized and costs broken down even further so that costs can be seen per person. <p>6. Quarterly reports:</p> <p>Quarterly reports showing acceptable costs under the OECD DAC have not been prepared.</p>	

Coherence

How well do projects align with other issues in the field, how can synergy be maximized?

Evaluations	Topics	Current status and practices	Suggestions for improvement
 Trajectories  People and practices  Technology  Data structure and insight  Governance and risk-management	<p>Can policy coherence be increased? For example with improved cooperation between ministries and institutions that are involved in the issue?</p>	<p>There is no formal cooperation between the parties involved in the project.</p> <p>It was found out through conversation that some parties worked a lot together and even up to a daily dialogue between the parties to the point that there was no dialogue or consultation between the parties. In all cases where cooperation and consultation took place, it was informal.</p> <p>It was stated that most cooperation was between MFA, Directorate of Immigration, and Ministry of Culture and Business Affairs but almost exclusively during the time that data collection was being carried out due to the declaration of costs for development co-operation.</p> <p>It was also stated by the municipalities that there was little knowledge that part of the cost of services for people seeking protection and refugees could be considered as development cooperation costs and what those costs were.</p> <p>KPMG is of the opinion that a formal cooperation forum of the parties involved could increase the flow of information and understanding, as well as improve knowledge of the costs that can be considered for development co-operation among those involved in the project and coordinate working methods between the parties.</p>	<ul style="list-style-type: none"> - It is proposed that a formal cooperation forum be established between the parties involved in the project. - It is proposed that the municipalities receive education and clear instructions on what is considered a reasonable cost according to the OECD DAC.



Annex

Methodology

Methodology

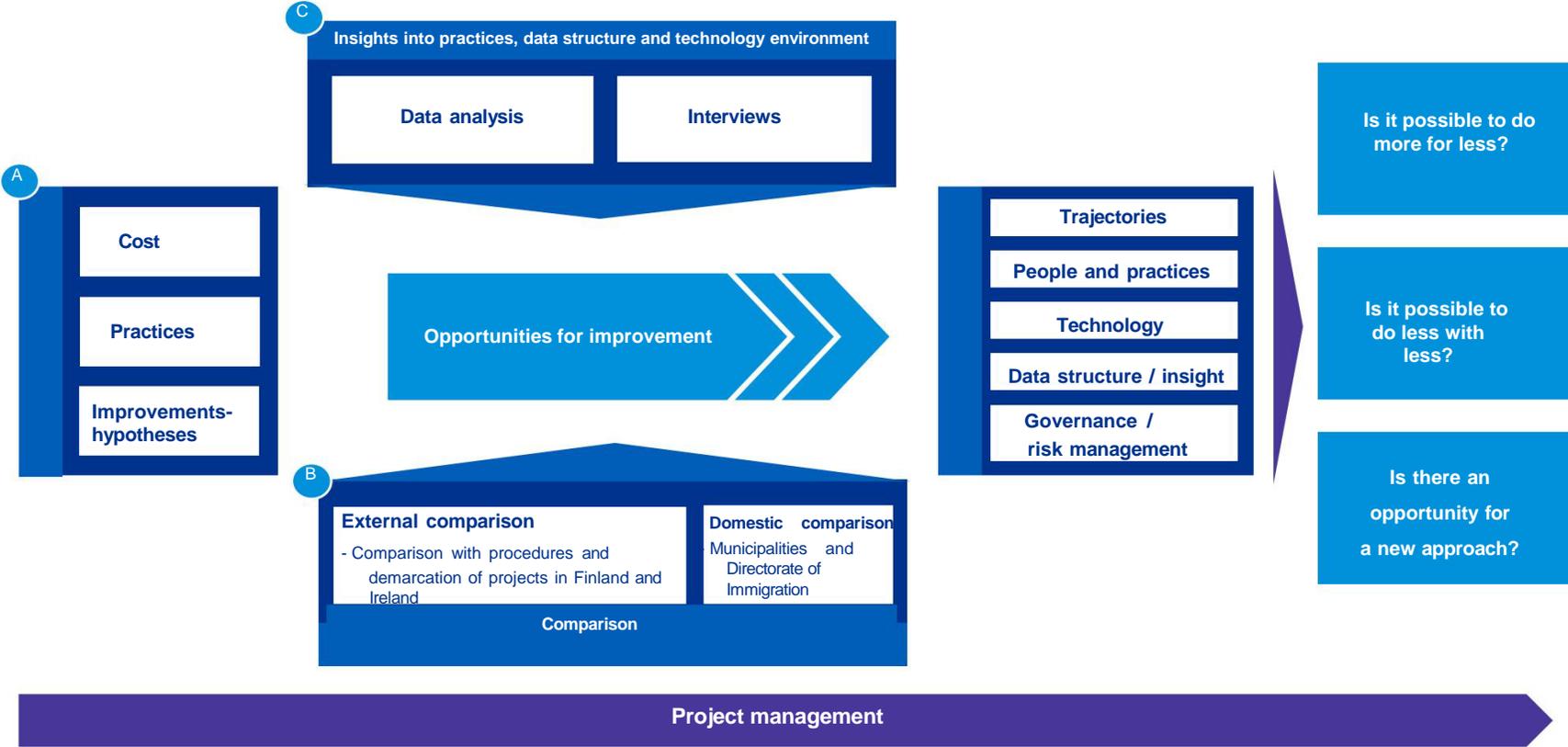
The evaluation is based on a project specification for an evaluation of development cooperation costs for applicants for protection and quota refugees in Iceland, dated August 2021, together with discussions with ministry experts, working group proposals for the implementation of a new DAC recommendation on cost declarations and KPMG's initial summary from October 2021.

KPMG's methodology for conducting these evaluation includes:

- Data inspection.
- Interviews with key people from relevant ministries, agencies, municipalities, and with people from the Ministry of Foreign Affairs in Ireland and Finland.
- Sample inspection of the accounts of Hafnarfjörður and Reykjanesbær.
- Comparison of Iceland's methodology and procedures to Finland and Ireland.
- Process analysis.

In accordance with information from the Ministry, a draft evaluation for a consultative group on the domestic costs of development cooperation will be reviewed before the final evaluation is submitted.

KPMG methodology



Initial summary

The main evaluation question and sub- questions	Work component	Methodology	Interviewees	Data
<p>Values</p> <p><i>Are projects defined and carried out in accordance with the established framework according to Iceland's policy and needs?</i></p> <p>- Does Iceland fulfill its obligations regarding issues in compliance with laws and international obligations?</p> <p>- Are recommendation followed in accordance to definitions by the OECD DAC?</p> <p>- Is the demarcation of Iceland's projects comparable to the neighboring countries?</p>	<p>Examination on information to DAC with respect to public finance laws and recommendations DAC</p>	<p>Data review</p> <p>- The data below is reviewed and the main criteria for construction are summarized. Result of AS-IS analysis compared to the criteria.</p> <p>Comparison with two other Member States.</p> <p>- Methodology and implementation of Iceland will be compared to methodology of Ireland and Finland. It will be based on the "In-donor Refugee cost in ODA" documents of the countries published on the OECD website and interviews with representatives of the countries if necessary.</p>	<p>Valerie Gaveau, DAC specialist at the OECD.</p> <p>If deemed necessary, representatives from Ireland and Finland are responsible for DAC costs</p>	<p>Parliamentary resolutions and laws concerning the goals of development cooperation and financial contributions:</p> <ul style="list-style-type: none"> - Financial plan 2022- 2026 - Parliamentary resolution on policy on international development cooperation 2019-2023 - Compilation of Methodologies for calculating in-donor refugee cost in ODA for Iceland - In-donor Refugee cost in ODA – Ireland - In-donor Refugee cost in ODA – Finland - DAC Recommendations

Initial summary cont.

The main evaluation question and sub- questions	Work component	Methodology	Interviewees	Data
<p>Efficiency <i>How well are resources utilized, is budgeting and economy safe guarded?</i></p> <ul style="list-style-type: none"> - Is the government planning for spending on international development cooperation a sensible arrangement? - Is the operational scope of projects acceptable and are funds really used for the projects defined within development cooperation? - What is the scope of the work that different parties invest in analyzing the accounting? 	<p>Examination of whether the information provided to the DAC gives a true and fair view of the actual costs.</p>	<p>Audit of two municipalities:</p> <ul style="list-style-type: none"> – Agreements between Hafnarfjörður and Reykjanesbær reviewed. – Interviews with representatives of the municipalities where the current procedures for managing and booking costs are described. – Sample inspection in accounting. The decision on the scope of the sample will be based on interviews with representatives municipalities. 	<p>Specialists in the field of assistance to refugees and in accounting in the relevant municipalities.</p>	<ul style="list-style-type: none"> - Agreement between the Immigration Service and the town of Hafnarfjörður. - Agreement between the Directorate of Immigration and Reykjanesbær <p>Relevant data from municipal accounts</p> <p>Data from the Ministry for Foreign Affairs:</p> <ul style="list-style-type: none"> - 2020 calculations of the Ministry of Social Affairs and Business international protection - Summary document 2020 Directorate of Immigration final figures Final figures for applicants for protection 2020 Directorate of Immigration and quota refugees for the Ministry of Social Affairs and Business

Initial summary cont.

The main audit question and sub-questions	Work component	Methodology	Interviewees	Data
<p>Efficiency</p> <p><i>To what extent have projects achieved their goals?</i></p> <ul style="list-style-type: none"> - Are methods and the demarcation applied in summarizing the methods of accounting for development cooperation suitable? - Are planning and data submissions carried out efficiently, is the quality of the data sufficient? - It is possible to improve the utilization of the authorities public software systems and / or use other methods data collection, analysis and submission? - Are the proposals set out in the report of the working group for the implementation of the new DAC recommendation regarding cost declaration sensible, and what is the status of the implementation? 	<p>Review of how the report to the DAC is prepared today.</p> <p>Examination of the effectiveness of gathering information</p>	<p>Current Status Analysis (AS-IS)</p> <ul style="list-style-type: none"> - Based on interviews with key parties in the ministries, institutions and municipalities involved in the process. <p>The result will be compared to defined main criteria of implementation</p>	<p>Experts from the relevant institutions / ministries / municipalities and companies.</p>	<p>Report from the working group of the impact of the new DAC recommendations.</p>

Initial summary cont.

The main audit question and sub-questions	Work component	Methodology	Interviewees	Data
<p>Coordination <i>How well do projects align with other issues in the field, how policy coherence be maximized?</i></p> <p>- It is possible to increase policy coherence in the issue, eg through improved cooperation between ministries and agencies involved in future matters come?</p>	<p>Suggestions for improvement.</p>	<p>Based on the results of analyzes of other factors, proposals for improvements will be submitted.</p>	<p>No need for interviews in this section.</p>	<p>No further data is considered necessary in this section</p>

Working group recommendations

Working group recommendations for new DAC recommendations

1. *Installation of Iceland's total contributions*

Issues related to nature are to fall under the same category according to the Public Finance Act. The proposal is to publish material related to contributions to international development cooperation under theme 35 (international development cooperation).

2. *Better planning and information*

In order to be able to follow the planning of the treatment of costs for applicants for protection and quota refugees, information to the government needs to be improved with data on real costs.

3. *Better data analysis of municipalities*

The Ministry of Social Affairs and Business has coordinated the reception of refugees and this work has been completed. It was also proposed that municipalities better analyze their data so that contributions can be submitted in a clearer way.

4. *Municipal audits*

In order to improve information on the cost of protection for applicants and refugees, a detailed assessment of municipal services should be made for their reception and the scope of the service.

5. *Reform work is transparent*

Breakdowns of costs, data submission and disclosure should be transparent so that other ministries involved in related work can carry out their tasks.

6. *Quarterly reports*

Disclosure to the government takes place on a quarterly basis.

Interviewees and data

Interviewees

Reykjanesbær

- Hera Ósk Einarsdóttir, Head of the Welfare Department, and Bjarney Rós Guðmundsdóttir, team manager of the Welfare Division's advisory and activity team

Hafnarfjarðarbær -

- Íris Björk Pétursdóttir and Guðmundur Sverrisson, staff at Hafnarfjarðarbær's finance department

Directorate of Immigration

- Bragi Þorsteinn Bragason, CFO

Representative from Ireland

- Evan Cunningham and Kate Brady of the State Department Ireland

Representatives from Finland

- Miikka Paajavuori, Senior Officer, from the Ministry of Foreign Affairs of Finland

The National Audit Office

- Albert Ólafsson, head of department, and Birgir Finnbogason, head of department

Ministry of Social Affairs

- Linda Rós Alfreðsdóttir, specialist, and Inga Birna Einarsdóttir, specialist

Ministry of Foreign Affairs

- Sara Ögmundsdóttir, head of department

Data -

FRN calculations in 2020 for successful international protection applicants

- Summary document from ÚTL for final figures and calculations in 2020
- Final figures from ÚTL and FRN from the year 2018
- Final figures from ÚTL and FRN from the year 2019
- Final figures from FRN from the year 2017

Sources

Finland's Methodology - [\[Title\] \(oecd.org\)](#)

Ireland Methodology - [\[Title\] \(oecd.org\)](#)

Icelandic Methodology - [\[Title\] \(oecd.org\)](#)

Impact of new DAC recommendations - July 2020

Compilation of methodologies for calculating in-donor refugee cost in ODA for Iceland - October 2020

[Supplement to the draft budget for 2021 - FJR_Fylgirit_V6.pdf \(stjornarradid.is\)](#)

[Supplement with budget proposal for 2022 - Supplement to budget proposal for 2022.pdf \(stjornarradid.is\)](#)

[OECD Database - QWIDS - Query Wizard for International Development Statistics \(oecd.org\)](#)

Memorandum for applicants for protection and quota refugees 16.02.2021

Regulation on accounting, budgets and annual accounts of municipalities - 12/12/2015

[DAC rules on declaration of domestic development cooperation costs - In donor refugee costs in ODA - OECD](#)

[Comparative analysis of costs within development cooperation in proportion to the gross national income of several countries - 28.09.2021](#)

Agreement between the Ministry of Social Affairs and Árborg on reception, assistance and services for a group of refugees 2019-2021

Agreement between the Ministry of Social Affairs and Blönduósbær on reception, assistance and services for a group of refugees 2019-2021

Agreement between the Ministry of Social Affairs and Garðabær on reception, assistance and services for a group of refugees 2019-2021

Agreement between the Ministry of Social Affairs and Húnaþing on reception, assistance and services for a group of refugees 2019-2021

Agreement between the Ministry of Social Affairs and Mosfellsbær on reception, assistance and services for a group of refugees 2019-2021

Agreement between the Ministry of Social Affairs and the Association '78 2019-2020

Agreement between the Ministry of Social Affairs and Seltjarnarnesbær on reception, assistance and services for a group of refugees 2019-2021

Agreement between the Directorate of Immigration and the City of Hafnarfjörður on services to applicants for international protection - 17.12.2018

Agreement between the Directorate of Immigration and Reykjanesbær on services to asylum seekers and annexes - 13.01.2014

Agreement between the Directorate of Immigration and the City of Reykjavík on services for applicants for international protection - 09.03.2017

[Foreign Ministry Audit Policy - June 2020 - Evaluation policy 2020-2023.pdf \(stjornarradid.is\)](#)

The National Audit Office's audit of the procedures and procedures of the Directorate of Immigration, which was published in a report in November 2018 -

[Report to the Althingi: Directorate of Immigration Procedures and Procedures \(rikisend.is\)](#)

[Parliamentary resolution on policy on Iceland's international development cooperation 2019-2023 - 1424/149 þál. as a whole: policy on Iceland's international development cooperation 2019--2023 | Þingtíðindi | Alþingi \(althingi.is\)](#)



kpmg.com/socialmedia



kpmg.com/app

© 2021 KPMG ehf. in Iceland is a member of the international network of KPMG, an association of independent companies that are members of KPMG International Limited, an English company with a limited liability. All rights reserved.

The name and trademark of KPMG are registered trademarks of KPMG International.