



INTERNAL AUDIT DIVISION

REPORT 2013/141

Audit of accounts receivable and payable in the United Nations Assistance Mission in Afghanistan

Overall results relating to the effective management of accounts receivable and payable in the United Nations Assistance Mission in Afghanistan were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

23 December 2013
Assignment No. AP2013/630/05

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1
III. AUDIT RESULTS	2-5
Regulatory framework	2-5
IV. ACKNOWLEDGEMENT	6
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

AUDIT REPORT

Audit of accounts receivable and payable in the United Nations Assistance Mission in Afghanistan

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the United Nations Assistance Mission in Afghanistan (UNAMA).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The Accounts Unit of the Finance Section in the Kuwait Joint Support Office was responsible for the management of accounts receivable and payable. Accounts receivable and payable in UNAMA included amounts either due from or to: staff members; individual contractors; vendors; United Nations agencies; and other peacekeeping and special political missions. As at 31 August 2013, UNAMA had accounts receivable totaling \$1.1 million and accounts payable totaling \$3.7 million.
4. Comments provided by UNAMA are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNAMA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of accounts receivable and payable in UNAMA**.
6. The audit was included in the 2013 OIOS risk-based work plan because of the financial and operational risks relating to the potential lack of reliable and accurate accounts receivable and payable opening balances for the adoption of International Public Sector Accounting Standards (IPSAS).
7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of accounts receivable and payable; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted this audit from April to August 2013. The audit covered the period from 1 January 2012 to 31 March 2013 and reviewed the: (a) accuracy of accounts receivable and payable balances; (b) monitoring of accounts receivable and payable through ageing, collection and reporting; and (c) implementation of financial year end closing instructions issued by the Department of Management.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

11. The UNAMA governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of accounts receivable and payable in UNAMA**. OIOS made five recommendations to address the issues identified. UNAMA made good progress in clearing accounts receivable and payable and unliquidated obligations in preparation for IPSAS opening balances. However, there was a need to: (a) ensure that inter-office billings were settled in a timely manner; (b) recover administrative charges for services provided to non-secretariat entities; (c) review the cost sharing agreement with the United Nations Assistance Mission in Iraq (UNAMI) for common services in Kuwait; and (d) update staff time and attendance records to accurately calculate accrued liabilities.

12. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of four important recommendations remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of accounts receivable and payable in UNAMA	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Monitoring of long outstanding accounts receivable needed to improve

13. The Field Finance Procedure Guidelines required prompt collection and settlement of accounts receivable balances through regular follow-up for recovery from entities and individuals. Further, the closing instructions issued by the Department of Management on 29 April 2013 required missions to undertake rigorous follow-up and cleansing of long outstanding accounts receivable balances to ensure the preparation of accurate opening balances as of 1 July 2013. These instructions also required missions to seek approval from the Controller for write-off of accounts that were deemed irrecoverable.

14. UNAMA had satisfactorily implemented procedures to follow-up and clear accounts receivable, resulting in a reduction in outstanding balances from \$3.5 million in January 2012 to \$1.1 million as at 31 August 2013. However, there were long outstanding balances of \$16,941 due from staff members and military advisors for which write-off procedures needed to be considered. There was also a need to settle inter-office billings of \$142,987 which accounted for 89 per cent of balances outstanding for over six months.

(1) UNAMA should review long outstanding accounts receivable and take action to recover balances or write-off unrecoverable amounts in accordance with the closing instructions issued by the Department of Management.

UNAMA accepted recommendation 1 and stated that the Kuwait Joint Support Office was reviewing long outstanding accounts receivable balances on a continuous basis. The cleansing and enrichment of data exercise was accelerated in preparation for the implementation of IPSAS and Umoja. Statements of outstanding balances were sent out monthly and action had been initiated to write-off unrecoverable balances. Recommendation 1 remains open pending OIOS verification of recovery and/or write-off of long outstanding accounts receivable balances.

Administrative charges for services provided to non-secretariat entities were not recovered

15. The Field Finance Procedure Guidelines required missions to add a 14 per cent administrative charge to the cost of common services provided to other United Nations non-secretariat entities. A subsequent memorandum from the Office of the Controller on 8 June 2012 stated that service costs in support of United Nations activities must be reasonable and no more than the amount necessary to recover actual costs.

16. UNAMA provided administrative support to other United Nations agencies, funds and programmes in the management of common services for the United Nations Operations Center in Afghanistan in Kabul. In 2012, UNAMA issued debit advices totaling \$3.1 million to recover costs of common services that had been paid on behalf of the other entities in the United Nations Operations Center in Afghanistan. However, UNAMA did not include an administrative charge. UNAMA advised that it typically included a 7 per cent administrative fee for services provided to non-secretariat entities. However, it did not charge an administrative fee to entities operating at United Nations Operations Center in Afghanistan because the equal cost sharing mechanism used to allocate common costs more than compensated for the lack of an administrative charge.

17. UNAMA decided to: (i) not charge an administrative fee to entities operating at United Nations Operations Center in Afghanistan; and (ii) in some instances, only charge a 7 per cent administrative fee to other non-secretariat entities. This was contrary to the Field Finance Procedure Guidelines. As a result, UNAMA needed to seek additional guidance or an exception from the Controller on the charges to apply to non-secretariat entities.

(2) UNAMA should seek additional guidance/approval from the Controller regarding the appropriate percentage of administrative fee that should be added to the cost of common services provided to non-secretariat entities operating in the United Nations Operations Center in Afghanistan in Kabul.

UNAMA accepted recommendation 2 and stated that it did not charge a 14 per cent administrative fee against the non-secretariat entities operating in the United Nations Operations Center in Afghanistan under common services agreement since the current memorandum of understanding did not provide for it. UNAMA would seek further guidance from the Controller as part of the Umoja transition. Recommendation 2 remains open pending receipt of a copy of the guidance from the Controller on the appropriate administrative fee that should be added to the cost of common services provided to non-secretariat entities.

The Mission needed to review long outstanding accounts payable

18. The IPSAS Opening Balance Plan and closing instructions issued by the Department of Management required peacekeeping missions to review and clean up old outstanding accounts payable accounts.

19. As at 31 August 2013, UNAMA had \$3.7 million in accounts payable, of which \$2.3 million (63 per cent) related to the cost of common services. UNAMA advised that this amount would be settled by December 2013. There was also about \$32,000 payable to national staff that had been outstanding for between six months to four years. This represented salaries withheld and reimbursable costs of medical insurance due to former staff members. These old outstanding amounts had not been cleared, as UNAMA did not have current banking and contact details.

(3) UNAMA should regularly review accounts payable and clear long outstanding balances.

UNAMA accepted recommendation 3 and stated that the Kuwait Joint Support Office was reviewing long outstanding accounts payable balances on a continuous basis. Long outstanding balances were reversed to the miscellaneous income account in instances where the Mission was unable to contact or locate payees. Recommendation 3 remains open pending receipt of evidence that action has been taken to clear long outstanding accounts payable balances.

Revised agreement on the cost sharing of common services in Kuwait resulted in additional liabilities

20. UNAMA and UNAMI established an administrative support office in Kuwait in November 2010 and UNAMA was allocated floor space of 698 square meters, which represented 5.6 per cent of the compound's total covered area of 12,492 square meters. In October 2011, both missions signed an agreement to share the cost of common services based on the percentage of space occupied. For 2011, UNAMA paid \$76,590 which represented its share of common services cost from January to December.

21. In August 2012, both missions signed a new agreement which allocated the cost of common services on the basis of authorized staff posts in Kuwait. Consequently, annual shared costs allocated to UNAMA increased from \$76,588 in 2011 to an estimated \$454,124 in 2013. This was a significant increase considering that the annual budget for the cost of common services was \$48,000.

22. There was a need for UNAMA to review the new agreement signed in 2012, considering that the space occupied by the Mission remained at 5.5 per cent of the total area covered. There was also a need to ensure consistency with existing agreements with other United Nations entities as the allocation basis used differed from cost sharing agreements that UNAMA had with other entities. For example, the cost of shared office spaces in Herat and Kabul, Afghanistan was based on the percentage of space occupied and headcount, respectively.

(4) UNAMA should review the agreement with the United Nations Assistance Mission in Iraq for the provision of common services in Kuwait to align it with existing cost sharing agreements with other United Nations entities.

UNAMA did not accept recommendation 4 and stated that at a meeting of the Kuwait Joint Support Office Steering Committee held in December 2013, it was agreed that the Kuwait Joint Support Office would review and present its cost structure after which service level agreements for both UNAMI and UNAMA would be proposed. Future cost sharing agreements would be between UNAMA and the Kuwait Joint Support Office, and not with UNAMI, and would be based on a model that best suits the

operations of the Office. Based on the impending changes to future cost sharing agreements, recommendation 4 has been closed.

Unliquidated obligations were adequately managed

23. The IPSAS Opening Balance Plan and closing instructions issued by the Department of Management required peacekeeping missions to review unliquidated obligations on a weekly basis up until 30 June 2013, and reconcile related balances in the procurement and financial systems.

24. UNAMA adequately monitored and reconciled its unliquidated obligations, which totaled \$23 million. The Finance and Procurement sections together with respective self-accounting units conducted regular reviews of unliquidated obligations and maintained adequate supporting documentation. Based on a review of 24 transactions totaling \$11 million, OIOS concluded that balances were adequately supported.

Inconsistencies were noted in staff leave records

25. The instructions issued by the Department of Management required missions to update attendance data for all staff to ensure accurate calculation of accrued liabilities for unused annual leave days and other staff benefits earned as at 30 June 2013.

26. UNAMA maintained leave records of staff members in the electronic Field Support Suite database which was also used to update the Integrated Management Information System. A review of leave balances for 54 staff indicated that leave records had not been fully updated for all staff members. There were inconsistencies in the number of annual leave days recorded in the database compared to staff members' monthly attendance reports. This resulted as the Human Resources Management Section did not conduct regular monitoring of leave records to ensure that the system was accurately updated. Due to the lack of complete attendance records, OIOS was unable to review the accuracy of the accrued liability of annual leave days and other staff benefits.

(5) UNAMA should reconcile staff members' leave records in the Field Support Suite with monthly attendance reports and update the Integrated Management Information System to ensure accurate calculation of accrued liabilities.

UNAMA accepted recommendation 5 and stated that the Kuwait Joint Support Office had carried out time and attendance data reconciliation in preparation for the launch of Umoja and IPSAS implementation. All time and attendance data from the Integrated Management Information System, the Field Support Suite and manual records were reviewed in September 2013 and the respective systems updated for the period up to July 2013. With assistance from the Field Personnel Division, this process would continue until the implementation of the Employee Self Service Module for time and attendance. Recommendation 5 remains open pending OIOS verification of the reconciliation of time and attendance records in the Field Support Suite and the Integrated Management Information System.

IV. ACKNOWLEDGEMENT

27. OIOS wishes to express its appreciation to the Management and staff of UNAMA for the assistance and cooperation extended to the auditors during this assignment.

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of accounts receivable and payable in the United Nations Assistance Mission in Afghanistan

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMA should review long outstanding accounts receivable and take action to recover balances or write-off unrecoverable amounts in accordance with the closing instructions issued by the Department of Management.	Important	O	OIOS verification of recovery and/or write-off of long outstanding accounts receivable balances.	31 March 2014
2	UNAMA should seek additional guidance/approval from the Controller regarding the appropriate percentage of administrative fee that should be added to the cost of common services provided to non-secretariat entities operating in the United Nations Operations Center in Afghanistan in Kabul.	Important	O	Receipt of a copy of the guidance from the Controller on the appropriate administrative fee that should be added to the cost of common services provided to non-secretariat entities.	30 June 2014
3	UNAMA should regularly review accounts payable and clear long outstanding balances.	Important	O	Receipt of evidence that action has been taken to clear long outstanding accounts payable balances.	31 March 2014
4	UNAMA should review the agreement with the United Nations Assistance Mission in Iraq for the provision of common services in Kuwait to align it with existing cost sharing agreements with other United Nations entities.	Important	C	Based on the explanation provided, the recommendation is closed	Closed
5	UNAMA should reconcile staff members' leave records in the Field Support Suite with monthly attendance reports and update the Integrated Management Information System to ensure accurate calculation of accrued liabilities.	Important	O	Verification of reconciliation of time and attendance records between the Field Support Suite and the Integrated Management Information System.	31 July 2014

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

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

³ C = closed, O = open

⁴ Date provided by UNAMA in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of accounts receivable and payable in the United Nations Assistance Mission in Afghanistan

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMA should review long outstanding accounts receivable and take action to recover balances or write-off unrecoverable amounts in accordance with the closing instructions issued by the Department of Management.	Important	Yes	Kuwait Joint Support Office (KJSO) / Chief Finance Officer (CFO)	March 31, 2014	<p>KJSO on behalf of UNAMA has been reviewing long outstanding A/R balances on a continuous basis. The cleansing and enrichment of data exercise has been accelerated in preparation for the implementation of IPSAS and UMOJA.</p> <p>Statements of outstanding balances against concerned entities are prepared and sent out on a monthly basis.</p> <p>Seventeen cases in the total amount of \$1,799.13 of write-off requests for low-value (less than \$500) unrecoverable balances were submitted and approved by Chief of Mission Support (CMS) on 11 September 2013.</p> <p>Three cases, in the total amount of \$3,574.68 of write-off requests for high-value (above \$500) unrecoverable balances were submitted to UNHQ on 11 September 2013 and communication between Finance and UNHQ is ongoing.</p> <p>Four cases, in the total amount of \$19,903.10 were identified as unrecoverable on the basis of terms of reference and reversed upon approval by CMS.</p>

⁵ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

⁶ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of accounts receivable and payable in the United Nations Assistance Mission in Afghanistan

Rec. no.	Recommendation	Critical ⁵ / Important ₆	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Eighteen cases in the total amount of \$10,693.07 have been identified for write-off by CMS by the end of December 2013. This includes cases of up to \$5,000 after the level for write-off was increased under CMS Delegation of Authority.
2	UNAMA should seek additional guidance/approval from the Controller regarding the appropriate percentage of administrative fee that should be added to the cost of common services provided to non-secretariat entities operating in the United Nations Operations Center in Afghanistan in Kabul.	Important	Yes	CMS / Chief Administrative Services	June 30, 2014	<p>Currently, UNAMA does not charge 14% administrative fees against the non-secretariat entities operating in United Nations Operations Center in Afghanistan (UNOCA) under common services agreement, for the running of the common services since the current memorandum of understanding among the agencies does not provide for it.</p> <p>UNAMA recognizes the uniqueness of UNOCA common services and its operations.</p> <p>It is expected that this issue will be clarified with further guidance from the Controller as part of the UMOJA transition</p>
3	UNAMA should regularly review accounts payable and clear long outstanding balances.	Important	Yes	KJSO/CFO	March 31, 2014	<p>KJSO on behalf of UNAMA has been reviewing long outstanding accounts payable balances on a continuous basis. The cleansing and enrichment of data exercise has been accelerated in preparation for the implementation of IPSAS and UMOJA.</p> <p>Long outstanding A/P balances are released to the correct payees and where the payees cannot be contacted or located, the balances are reversed to miscellaneous the income account.</p>
4	UNAMA should review the agreement with the United Nations Assistance Mission in Iraq for the	Important	No			At the December 2013 KJSO Steering Committee (SC) meeting it was agreed that KJSO would review and present its cost

Management Response

Audit of accounts receivable and payable in the United Nations Assistance Mission in Afghanistan

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	provision of common services in Kuwait to align it with existing cost sharing agreements with other United Nations entities.					structure after which Service Level Agreements for both UNAMI and UNAMA would be proposed at the next KJSO SC using a template received from HQ. Thus future cost sharing agreements would be between UNAMA and KJSO and not UNAMA and UNAMI. The cost share agreements would also most likely not be based on other United Nations entities as the KJSO SC agreed that KJSO needs to adopt a model which best suits the operation, which may not be consistent with existing cost sharing agreements
5	UNAMA should reconcile staff members' leave records in the Field Support Suite with monthly attendance reports and update the Integrated Management Information System to ensure accurate calculation of accrued liabilities.	Important	Yes	KJSO/ Human Resources Operations Manager	July 31, 2014	KJSO on behalf of UNAMA has carried out Time and Attendance data reconciliation in preparation for the launch of UMOJA and IPSAS implementation. All Time and Attendance data from the Integrated Management Information System (IMIS), Field Support Suite (FSS) and manual records (ARCs) were reviewed throughout the month of September 2013 and the respective systems updated for the period up to July 2013. With the Field Personnel Division assistance in providing accurate discrepancy reports, this process will continue until the implementation of the Employee Self Service Module for Time and Attendance in UMOJA is fully implemented.