



## **INTERNAL AUDIT DIVISION**

### **REPORT 2024/020**

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**Audit of the management of cost-share arrangements in the United Nations Assistance Mission in Afghanistan (UNAMA) integrated facilities**

**UNAMA needed to strengthen risk management and capacity for delivery of One United Nations cost-share operations for Afghanistan**

**24 May 2024**

**Assignment No. AP2023-630-01**

# **Audit of the management of cost-share arrangements in the UNAMA integrated facilities**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the cost-share arrangements in the United Nations Assistance Mission in Afghanistan (UNAMA) integrated facilities. The objective of the audit was to assess the adequacy and effectiveness of the management of integrated facilities and cost-sharing arrangements for services provided by and to UNAMA. The audit covered the period from January to December 2022 and included: (i) operational and financial management, and (ii) performance management framework.

The integrated collocated offices for the United Nations Afghanistan country teams managed by UNAMA had the increasing participation of Agencies, Funds and Programmes in joint services under the One United Nations concept. UNAMA developed adequate financial management controls over cost-sharing and made provisions for cost recovery and cash flow projections. However, with the growth in collocating and sharing costs, UNAMA did not assess its risks and capacity to efficiently deliver cost-sharing functions based on the increasing One United Nations cost-share operations for Afghanistan. This resulted in operational deficiencies in managing Memoranda of Understanding with the Agencies, Funds and Programmes - some needed to be updated, and others were misplaced, unamended, or not stored in a centralized location for easy access. In the absence of documented cost-sharing agreements, there was no assurance that all services were provided and billed as agreed. In addition, the Memoranda of Understanding that were in place did not have provisions for an early withdrawal from shared services or for measuring the performance of common services.

OIOS made two recommendations. To address issues identified in the audit, UNAMA needed to:

- Strengthen its risk management and capacity for efficient delivery of cost-sharing functions and establish without delay a central repository for the Memoranda of Understanding and technical units' transactional service logs.
- Seek feedback periodically on client satisfaction levels in relation to the quality and timeliness of service delivery and take prompt corrective action as warranted.

UNAMA accepted the recommendations and initiated actions to implement them. Actions required to close the recommendations are indicated in Annex I.

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# Audit of the management of cost-share arrangements in the UNAMA integrated facilities

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the cost-share arrangements in the United Nations Assistance Mission in Afghanistan (UNAMA) integrated facilities.

2. UNAMA, a special political mission established on 28 March 2002 by United Nations Security Council Resolution 1401, is mandated to focus on political affairs and relief, recovery and reconstruction humanitarian activities across Afghanistan.

3. UNAMA has its headquarters in Kabul and maintains 10 field offices in Bamyan, Faizabad, Gardez, Herat, Mazar-e-Sharif, Kandahar, Kunduz, Maimana, Pul-i-Khumri, and Jalalabad. It also has liaison offices in Pakistan and Iran. The approved 2023 UNAMA budget, net of staff assessments, was \$132,479,200. As of August 2023, the Mission had 1,164 approved staff posts with a 12 per cent vacancy rate.

4. One of the Secretary-General's reform goals is for the United Nations to have a more effective, efficient and economical programme delivery. This requires collaboration between United Nations Country Teams (UNCTs) on services provided and sharing common costs. United Nations Financial Rule 105.11 on the management of service agreements and cost recovery policy and guidelines provided missions with responsibilities for managing support services provided to governments, specialized agencies, and international non-governmental organizations and establishing efficient and effective cost recovery mechanisms.

5. UNAMA has been a cost-sharing office and living accommodation space with Agencies, Funds, and Programmes (AFPs) since 2013 and developed its Business Operations Strategy in May 2020, a results-based framework that focused on common services implemented jointly and delivered under the One United Nations operations to eliminate duplication and maximize economies of scale. UNAMA also developed and implemented cost recovery standard operating procedures (SOP) in December 2020, establishing a framework for the Mission to provide services to its clients per Financial Rule 105.11.

6. The UNCT in Afghanistan comprises 21 AFPs<sup>1</sup>, which are co-located with UNAMA and share common compounds for offices and accommodation facilities in Kabul and eight field offices (except Faizabad and Pul-i-Khumri). Table 1 indicates the total number of United Nations personnel co-located in the eight field locations and the shared-cost recoveries from AFPs for the period from 2020 to 2023.

**Table 1: Co-location of United Nations personnel in UNAMA compounds across Afghanistan field locations**

Year	Total number of UN personnel co-located in field offices	Amount recovered from AFPs
2020	488	\$3,796,453.66
2021	455	\$2,697,597.66
2022	561	\$6,394,079.06
2023	667	\$7,896,109.00

Source: UNAMA Office of the Chief Mission Support

<sup>1</sup> FAO, IFAD, ILO, IOM, OCHA, OCHCHR, UNIFEM, UNAIDS, UNDP, UNESCO, UNFPA, UN- HABITAT, UNHCR, UNICEF, UNIDO, UNITAR, UNMAS, UNODC, UNOPS, WFP, and WHO

7. UNAMA’s support services provided to the UNCT have grown from 2020 to 2023 and they include the Joint Medical Service (JMS), Medical Emergency Response Team (MERT), Forward Surgical Team and the Aero Medical Evacuation Teams (FST/AMET), ICT radio infrastructure, transportation, aviation and common services. Common services include office space for UNAMA and AFPs, living accommodation for UNAMA staff and some AFPs, parking for vehicles, security, cleaning, maintenance, and gardening services for the premises. Table 2 below shows the number of AFPs that have received shared services from UNAMA over the years.

**Table 2: Number of Agencies, Funds and Programmes receiving shared services from UNAMA for the period from 2020 to 2023**

Year	Joint Medical Services	Medical Emergency Response Team	Forward Surgical Team and the Aero Medical Evacuation Teams	ICT services	Air transport	UN Operations Centre in Afghanistan Common Services (Kabul co-location)	Common Services Field co-location
<b>No of Agencies, Funds and Programmes</b>							
2020	19	17	N/A	5	19	6	16
2021	19	16	N/A	12	26	6	16
2022	19	17	23 (12 Aug 21 to 11 Dec 2022)	13	22	6	19
2023	22	17	22	12	22	7	15

Source: UNAMA Office of the Chief Mission Support

8. Cost recovery for all services for the 2022 financial year is detailed in table 3. Cost recovery activities are conducted in fund code 10 RCR<sup>2</sup> for accounting purposes. UNAMA also provided cost-sharing services to 11 international non-governmental organizations and 2 embassies in 2022.

**Table 3: Total cost recovery for the 2022 financial year by service**

JMS	MERT	FST/AMET	ICT services	Air transport	Security Training	UN Operations Centre in Afghanistan Common Services	Field Office Common Services*	Total
<b>(US \$)</b>								
1,822,827	906,545	1,084,139	195,100	94,103	394,650	6,992,703	3,962,370	<b>15,452,437</b>

Source: UNAMA Office of the Chief Mission Support

\*Signed MOUs with AFPs

9. Comments provided by UNAMA are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

10. The objective of the audit was to assess the adequacy and effectiveness of the management of integrated facilities and cost-sharing arrangements for services provided by and to UNAMA.

11. This audit was included in the 2023 risk-based work plan of OIOS due to the identified operational and financial risks related to the integrated facilities and cost-sharing arrangements in UNAMA.

12. OIOS conducted this audit from July to December 2023. The audit covered the period from January to December 2022. Based on an activity-level risk assessment, the audit covered higher and medium risks

<sup>2</sup> Spendable activities for services that UNAMA has no budget allotted for is posted to the Cost Recovery Fund (10RCR) and can be utilized by UNAMA.

areas in the the management of integrated services and cost sharing arrangements, which included: (i) operational and financial management, and (ii) performance management framework.

13. The audit methodology included: (a) interviews with key personnel, (b) a review of relevant documentation, (c) an analytical review of data, (d) a random sample of cost recovery transactions extracted from the Umoja system, including 93 Service Rate Cards (SRCs) and 93 material numbers for completeness and correctness of rates and approval for services provided to the AFPs, (e) all cost plans and their submission to the Office of the Controller, and (g) all technical units service transactional logs for the provision of services and billing of clients.

14. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

### **III. AUDIT RESULTS**

#### **A. Operational and financial management**

UNAMA established cost-sharing operational structures and developed Standard Operating Procedures for cost recovery

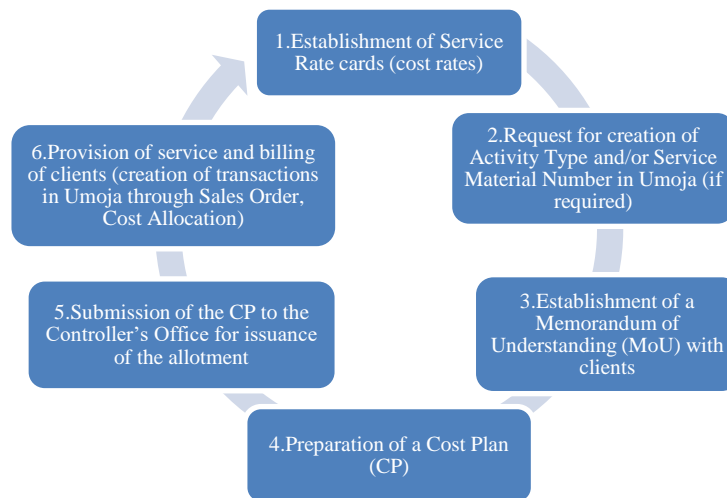
15. The United Nations Financial Rule 105.11 and cost recovery policy and guidelines issued by the Controller on 7 February 2022 required UNAMA to establish the appropriate SOP for its cost recovery operations. This ensured that the processes, roles, responsibilities, and procedures of the AFPs and UNAMA were clearly defined, and the revenue received was recognized in the correct financial period.

16. OIOS review of cost recovery plans and budget procedures established that the design of the controls, including segregation of duties, were adequate in UNAMA's technical and finance and budget units and KJSO's finance unit. UNAMA implemented its SOP through the following operational structures where the: (i) Chief Budget and Finance Officer monitored compliance of technical units through periodic checks on rate cards and services provided as recorded in the transactional service logs; (ii) Chief Mission Support (CMS) supported by the Senior Administrative Officer and Chief of Operations and Resource Management provided oversight and monitored the operations for shared costs; (iii) Office of the CMS coordinated the signing, renewal and amendments of MoU after collaboration with the respective technical units in determining the costs rates to be used and the services to be provided; (iv) UNAMA Finance and Budget Unit monitored both cost recovery and cost-shared expenditure and recoveries for services provided; and (vi) UNAMA Finance and Budget Unit, in coordination with the Office of the CMS and KJSO Finance Unit, reported on shared costs at the end of the financial year, including the preparation of quarterly and annual financial performance reports.

UNAMA needed to strengthen its capacity to efficiently deliver cost-sharing functions based on the increasing One United Nations cost-share operations for Afghanistan

17. Signed memoranda of understanding (MoU) between UNAMA and client entities for the respective services in Afghanistan (for Kabul and each field location) were required. The Office of CMS coordinated the signing, renewal or amendments of the MoU with the AFPs after collaboration with the respective technical units (medical, transport, aviation, field technology, engineering and facilities, and security) in determining the cost rates to be used and the services to be provided. The KJSO Finance Unit was responsible for billing and preparing the cost recovery accounts receivable financial reports. UNAMA's cost recovery procedures are summarized in figure 1 below.

Figure 1: Cost recovery procedures



18. With the implementation of Afghanistan’s integrated cost-share operations, the increasing participation of AFPs in joint services, and United Nations entities and staff collocating in the field, UNAMA made appropriate adjustments to its office space facilities to accommodate the AFPs and adjusted its annual budget to consider collocation for extended periods.

19. OIOS review of UNAMA’s financial management controls over cost recovery from January to December 2022 noted the following:

- a. A review of randomly selected 93 Service Rate Cards (SRCs) (6 per cent of 1,600) noted that UNAMA established SRCs that outlined the services to be provided to the AFPs and the service rate charged. Technical Units prepared SRCs, which the Office of the Controller approved.
- b. An analysis of randomly selected 93 service material numbers<sup>3</sup> for the activity and service type created in the Umoja system showed that service material numbers were appropriately verified and approved prior to being created in Umoja.
- c. An examination of all cost plans<sup>4</sup> to determine the adequacy of the cost and budget prepared by UNAMA to provide the service indicated that UNAMA made provisions for cost recovery and cash flow projections for shared costs. All cost plans were submitted to the Office of the Controller to ensure they were properly completed and appropriately approved for release of allotment of funds, and UNAMA refunded unspent balances for the UNOCA common services in Kabul to participating clients and additional expenditure was charged to participating clients.
- d. UNAMA reported the annual expenditure and financial performance report for medical and common services costs; prepared the monthly Accounts Receivable Ageing Statements, which were shared with the individual clients and UNAMA Budget and Finance Unit.

<sup>3</sup> Material numbers are generated for the activity types in Umoja, and each service needs to have a unique number for billing of the activities.

<sup>4</sup> Cost plans are developed annually to determine the cost and budgeting for the provision of common services, and they are submitted to the Controller’s Office in advance for approval and release of allotments. Billings on these services are prepaid with a reconciliation at the end of the financial period to determine the actual cost for further billing or refund.

20. OIOS review of 210 MoUs signed between UNAMA and client entities that applied to cost-share activities for the period from January to December 2022 indicated that they included relevant areas, including: (i) rights and responsibilities of UNAMA as the service provider and for the client as a service recipient, (ii) type of service to be provided, (iii) duration of service<sup>5</sup>, (iv) settlement of disputes and disposition of assets, (v) payment terms with service rates and cost plans on the anticipated income and expenditure for the fiscal period, and (vi) safety and security and liability clauses. UNAMA made the necessary amendments to the signed MoU when there were changes in the formula used to pre-calculate cost-share, costs of service delivery, terms and conditions and type of services offered.

21. The MoU, however, had no clause for early withdrawal. There was, therefore, the increasing financial risk to UNAMA if cost sharing did not materialize as planned or was canceled in the short run after adjustments were made to the facilities and the operational budgets. For example, the Office for the Coordination of Humanitarian Affairs withdrew from cost-share facilities in 2021 at short notice despite a signed MoU, resulting in a \$855,000 shortfall in UNAMA's budget.

22. Furthermore, during the OIOS review, UNAMA could not locate 9 MoUs (4 per cent of all MoUs) as they were not stored in a central place. In addition, 17 MoUs (8 per cent) were outdated or not amended during the period under review. While there were prior MoUs with the AFPs, they had expired and included obsolete rates for the type of services provided. These included MoUs for security training, medical services FST/AMET, and FST-AMET-intensive care unit (ICU) services for the International Labor Organization (ILO) and the United Nations Mine Action Service (UNMAS). Therefore, not all services were provided and billed in accordance with valid contractual arrangements. While there were no known disputed services or billing by the AFPs, in the absence of a contractual arrangement, service recipients may fail to honor their financial obligations, and UNAMA may have difficulty enforcing payment for the outstanding debts. Also, client entities may refuse to pay amounts billed due to complaints of overcharging as there was no agreed amount before the service was provided.

23. Additionally, a review of service transactional logs that recorded the details for services provided and maintained by the six technical units indicated that while logged transactions were appropriately recorded in Umoja and billed to clients for payments, UNAMA had challenges retrieving technical unit transactional logs for all services rendered. OIOS, therefore, could not verify that all services rendered were logged and subsequently billed.

24. The Mission had difficulty obtaining information related to MoUs, tracking expired MoUs, and retrieving technical unit transactional logs for services rendered. It was because UNAMA did not liaise with technical units to ensure that all MoUs and related cost-sharing information were maintained in a central place, with the requirement for a taxonomy on information and knowledge retention.

**(1) UNAMA should strengthen its risk management and capacity for efficient delivery of cost-sharing functions, and establish without delay a central repository for the Memoranda of Understanding and technical units' transactional service logs.**

*UNAMA accepted recommendation 1 and stated that it had obtained the approval of the Controller for an administrative position at the Field Service level to manage a central repository of MoUs, among other related tasks. The position would be funded through I O-RCR. The recruitment process is expected to be initiated by the end of May 2024 and be completed by the end of October 2024.*

<sup>5</sup> Medical Emergency Response Team (MERT) and Joint Medical Services MoU had specific durations and cost rates, with 5 out of 210 (2 per cent) MoU signed for infinite periods with open-ended arrangements for shared medical services (2 MoU in October 2021, and 3 in August 2022). UNAMA indicated that they used open-ended MoU for recurring services, and predetermined costs rates were applicable.



## B. Performance management framework

### There was a need to improve performance measurement and feedback

25. Establishing a structured system for evaluating service providers' performance is imperative. This system should not only include clear standards for timeframes and service quality but also specific metrics for measuring service performance. By actively seeking and addressing customer feedback, service providers can continuously improve their service, ensuring the highest quality of service.

26. UNAMA solely relied on the Operational Management Meetings attended by the UNCT to obtain feedback from AFPs. A member of the UNCT chaired the meetings on a rotating basis. OIOS review of the minutes of 12 monthly meetings held during the audit period indicated that discussions primarily focused on the United Nations operations in Afghanistan, particularly the security situation. However, the review did not find any discussions related to the services provided to individual clients. Therefore, this forum was not an adequate mechanism to discuss the quality of services offered by UNAMA.

27. In April 2022, UNAMA surveyed its catering services clients in Kabul but did not conduct a survey on other services provided. OIOS noted that the MoU did not include a mandatory clause for evaluating the Mission's services. Yet, without an effective mechanism, feedback and complaints from client entities may not be addressed on time.

**(2) UNAMA should periodically seek feedback on client satisfaction levels in relation to the quality and timeliness of service delivery and take prompt corrective action as warranted.**

*UNAMA accepted recommendation 2 and stated that its sections with MoUs in place would conduct an annual client satisfaction survey using dedicated stream-wise forms aligned with each of the services provided. The Mission would use the feedback from the surveyed entities to assess its service delivery and improve client satisfaction levels, as necessary.*

## IV. ACKNOWLEDGEMENT

28. 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.

Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the management of cost-share arrangements in the UNAMA integrated facilities

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	C/ O <sup>8</sup>	Actions needed to close recommendation	Implementation date <sup>9</sup>
1	UNAMA should strengthen its risk management and capacity for efficient delivery of cost-sharing functions and establish without delay a central repository for the Memoranda of Understanding and technical units' transactional service logs.	Important	O	Receipt of evidence that the Mission has strengthened its risk management and capacity and established a central repository for the Memoranda of Understanding and technical units' transactional service logs.	31 October 2024
2	UNAMA should periodically seek feedback on client satisfaction levels in relation to the quality and timeliness of service delivery and take prompt corrective action as warranted.	Important	O	Receipt of evidence that the Mission has periodically sought feedback on client satisfaction levels regarding quality and timeliness of service delivery and taken prompt corrective action.	30 September 2024

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

<sup>9</sup> Date provided by UNAMA in response to recommendations.

# **APPENDIX I**

## **Management Response**

United Nations  Nations Unies

UNITED NATIONS ASSISTANCE MISSION IN AFGHANISTAN  
UNAMA

*Office of the Chief of Mission Support*

20 May 2024

**To** : Mr. Byung-Kun Min  
Director,  
Internal Audit Division, OIOS

**From** :  Jorge Goncalves  
 Chief of Mission Support

**Subject** : **Draft report on an audit of the management of cost-share arrangements in the United Nations Assistance Mission in Afghanistan (UNAMA) integrated facilities (Assignment No. AP2023-630-01)**

1. Reference is made to your memorandum dated 6 May 2024, ref. OIOS-2024-00832, on the above subject.
2. As requested, please find attached UNAMA's comments on the draft report, as well as the action plan with target timelines for implementing the recommendations in Appendix I.

Best regards.

cc: Mr. Adityavikram Pachisia, Audit Focal Point, UNAMA  
Ms. Xin Zhou, OIOS

Management Response

Audit of the management of cost-share arrangements in the UNAMA integrated facilities

Rec. no.	Recommendation	Critical/ <sup>1</sup> Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMA should strengthen its risk management and capacity for efficient delivery of cost-sharing functions and establish without delay a central repository for the Memoranda of Understanding and technical units' transactional service logs.	Important	Yes	SAO	31 October 2024	UNAMA has obtained the approval of the Controller for an administrative position at the FS level to manage a central repository of MoUs, among other related tasks, and which will be funded through 10-RCR. The recruitment process is expected to be initiated by the end of May 2024, and should be completed by end of October 2024.
2	UNAMA should periodically seek feedback on client satisfaction levels in relation to the quality and timeliness of service delivery and take prompt corrective action as warranted.	Important	Yes	SAO and Section Chiefs	30 September 2024	UNAMA sections that have MoUs in place (OCMS for Field co-location, Medical, FTS, Aviation, Ground Transport and Security) will conduct a client satisfaction review once a year, using dedicated stream-wise forms, aligned with each of the services provided. The feedback received from the surveyed entities will be used to assess the mission's service delivery and improve client satisfaction levels, as and where the need arises.

<sup>1</sup> 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.

<sup>2</sup> 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.