



Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

### **REPORT 2017/157**

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**Review of recurrent issues in monitoring and follow-up on accounts receivable in field operations internal audit reports for the Office of the United Nations High Commissioner for Refugees**

**There was a need to develop appropriate guidance to assist field operations and Regional Bureaux in improving the management of accounts receivable and to strengthen central monitoring and reporting of host government reimbursement of value added tax**

**29 December 2017**

**Assignment No. VR2017/161/01**

# **Review of recurrent issues in monitoring and follow-up on accounts receivable in field operations internal audit reports for the Office of the United Nations High Commissioner for Refugees**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted a review of recurrent issues in monitoring and follow-up on accounts receivable, including value-added tax (VAT), raised in OIOS internal audit reports relating to United Nations High Commissioner for Refugees (UNHCR) field operations. The primary objective of this engagement was to review recurrent issues raised in the internal audit reports relating to monitoring and follow-up on accounts receivable (including VAT) in UNHCR field operations and to identify related improvements needed at the institution level. The audit covered internal audit reports issued from 1 January 2011 to 31 December 2016.

Between 1 January 2011 and 31 December 2016, OIOS issued 123 audit reports on UNHCR field operations and raised 21 recommendations related to monitoring and follow-up on accounts receivable. OIOS analysis of these recommendations identified four categories of recurrent control weaknesses: (a) lack of guidance and oversight from UNHCR headquarters; (b) weaknesses in control activities; (c) inadequate provisions in accounts receivable; and (d) inappropriate liaison with host governments for VAT reimbursement. To address the underlying institution level root causes of recurrent control weaknesses, UNHCR needed to develop appropriate guidance to assist field operations and Regional Bureaux in improving management of accounts receivable and to strengthen central monitoring and reporting of host government reimbursement of VAT.

OIOS made three recommendations. To address issues identified in the audit, the UNHCR Division of Financial and Administrative Management needed to:

- In coordination with the Regional Bureaux, design a tool or template that will assist the Regional Bureaux in providing technical support and oversight to field operations on management of accounts receivable, and field operations in making informed decisions regarding follow-up on accounts receivable and when to proceed with a request for write-off.
- Update and simplify the existing UNHCR 2006 VAT Survey and Guidelines, with focus on the essential detective and corrective controls that need to be followed consistently and systematically, including for record-keeping and reporting to headquarters.

In addition, the UNHCR Legal Affairs Service needed to:

- Monitor and provide regular updates to the Regional Bureaux and senior management on countries that do not have a host country agreement with UNHCR or an explicit provision in the country-level agreement regarding tax exemptions.

UNHCR accepted the recommendations and stated it would implement them.

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# **Review of recurrent issues in monitoring and follow-up on accounts receivable in field operations internal audit reports for the Office of the United Nations High Commissioner for Refugees**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted a review of recurrent issues in monitoring and follow-up on accounts receivable, including value-added tax (VAT), raised in OIOS internal audit reports relating to United Nations High Commissioner for Refugees (UNHCR) field operations.

2. Accounts receivable are the outstanding amounts that UNHCR has a right to collect from its staff, suppliers, partners, governments and other United Nations agencies, resulting from advances, deposits and prepayments made to them, or from unsettled invoices or reimbursements due from them. The Financial Rules for Voluntary Funds Administered by UNHCR require the Controller to establish adequate internal controls to ensure the regularity of receipt, custody and disposal of all assets, including accounts receivable, entrusted to him/her.

3. In its 2016 financial statements, UNHCR VAT receivables amounted to \$13.5 million and staff advances were \$3.4 million, accounting for 19 per cent of other current assets. In 2015, UNHCR had reported outstanding VAT receivables of \$11.4 million and staff advances of \$3.8 million.

4. Responsibilities for the management of receivables in UNHCR are shared at the institutional and field levels. The Division of Financial and Administrative Management (DFAM), through the Accounts and Financial Management Service (AFS), is responsible for providing organizational policy, technical support and oversight to regional and field operations in relation to recovery, monitoring and reporting of accounts receivable. It is also responsible for recording appropriate provisions for long outstanding receivables in the financial statements to ensure they are reflected at a fair value as well as recommending write-offs in those cases that have a low probability of recovery. The Division of Human Resources Management (DHRM) provides policy and oversight on matters related to staff advances and its Personnel Administration and Payroll Section (PAPS) recovers these advances from the salaries of international staff. The Legal Affairs Service (LAS) provides legal advice on issues pertaining to reimbursement of VAT and recoveries from staff.

5. At the field level, operations are authorized to grant salary advances to locally recruited staff and recover these from their salaries in instalments. They are also required to establish local arrangements for following-up on receivables in line with institutional policies, standards, rules and procedures. Field operations are responsible for accurate and timely recording of receivables within Managing for Systems, Resources and People (MSRP), the UNHCR enterprise resource management system.

6. Comments provided by UNHCR are incorporated in italics.

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

7. The objective of the engagement was to review recurrent issues raised in OIOS internal audit reports related to monitoring and follow-up on accounts receivable (including VAT) in UNHCR field operations and to identify related improvements needed at the institution level.

8. This review was included in the 2017 risk-based work plan of OIOS because multiple field audits had raised similar recommendations in this area in the recent past, and the financial value of outstanding accounts receivable was significant.

9. OIOS conducted this review between May and October 2017. The review methodology included: (a) review of the 20 internal audit reports pertaining to UNHCR field operations issued between 1 January 2011 and 31 December 2016, which had raised recommendations related to recurrent accounts receivable issues; (b) identification and validation of root causes of these recurrent issues through analytical review, interviews and control self-assessments conducted with process owners; (c) review of the status and adequacy of actions taken to implement the audit recommendations made; (d) review of the current control framework for monitoring and follow-up on accounts receivable (policies, manuals, agreements, systems and tools, as well as training, monitoring and oversight mechanisms), its evolution over the review period, and any ongoing measures taken to enhance the framework in order to assess its adequacy in addressing the root causes of recurrent issues; and (e) identification of additional process and control improvements required at the institutional level.

10. As the focus of the review was on identifying root causes of recurrent audit issues in the monitoring and follow-up on accounts receivable, this report only raises recommendations to enhance institution level controls. The review was limited to monitoring and follow-up on accounts receivable at the field operations including VAT and staff advances, and did not consider the contribution related accounts receivable from host governments.

### **III. OVERALL CONCLUSION**

11. To address the underlying, institution level root causes of recurrent control weaknesses in monitoring and follow-up on accounts receivable, UNHCR needed to: (i) design a tool or template to assist the Regional Bureaux in providing effective support and oversight to field operations over the management of receivables, and field operations in taking informed decisions regarding follow-up on accounts receivable and when to proceed with a write-off; (ii) update and simplify the field guidelines on VAT with focus on the essential detective and corrective controls that need to be followed consistently and systematically, including for record-keeping and reporting to headquarters, to manage recovery of VAT; and (iii) strengthen central monitoring and reporting on host government reimbursement of VAT.

### **IV. RESULTS OF THE REVIEW**

12. Between 1 January 2011 and 31 December 2016, OIOS conducted 123 audit engagements on UNHCR field operations. Of the final reports issued, 20 reports raised 21 recommendations related to monitoring and follow-up on accounts receivable. Of these recommendations, 13 were related to reimbursement of VAT, and eight related to delayed recovery of staff salary advances, accommodation rental advances, travel advances and medical advances. As of September 2017, 17 of the 21 recommendations were recorded as implemented following satisfactory action taken by the respective field operations. Three more recommendations related to VAT receivables were closed without implementation as UNHCR formally accepted the associated residual risks. The only remaining open recommendation was related to absence of a host country agreement which caused delays in reimbursement of VAT.

13. From a preliminary analysis of the relevant audit recommendations, OIOS identified and categorized the recurrent issues as shown in Table 1. As many recommendations were related to multiple categories, the total number (35) of recommendations per category exceeds the number of recommendations (21) raised in OIOS final audit reports.

Table 1

**Recurrent issues on monitoring and follow-up on accounts receivable raised in OIOS field audit reports between 1 January 2011 and 31 December 2016**

Recurrent issue category	Number of times a recurrent issue category was raised in recommendations	Percentage of occurrence of recurrent issue
Guidance and oversight from UNHCR headquarters	7	20%
Control activities	15	43%
Provisions in accounts	5	14%
Liaison with host governments for VAT reimbursement	8	23%
<b>Total</b>		<b>100%</b>

**A. Guidance and oversight from headquarters**Need to design a tool or template to assist Regional Bureaux and field operations in managing accounts receivable

14. In five audits, OIOS identified shortcomings in the follow-up on VAT receivables, including a lack of a coordinated process between the field operations and headquarters to ensure timely and effective resolution of the old pending accounts receivable. Two audits identified weaknesses in the recovery of staff advances, as the field operations did not receive timely support from the relevant Regional Bureaux on their requests for write-off of non-recoverable staff advances.

15. The UNHCR Administrative Instruction for the Closure of UNHCR Accounts for the Year Ending 31 December 2016 included performance metrics over the review, recording, accounting and write-off of receivables including VAT and staff advances. With regard to recoveries from staff, the UNHCR Staff Administration and Management Manual provided clear procedures for ensuring adequate and timely recovery of staff advances. In addition, UNHCR informed OIOS that the updated MSRP finance module had the capability to link recoveries with the personal accounts of staff members in real time basis, monitor recoveries, and perform month-end reconciliations. DFAM had in place preventive and detective controls over management of accounts receivable, which had been strengthened over time and included: performing an aging analysis of accounts receivable; providing guidance to field operations on review of accounts receivable at the closure of accounts; making provisions for doubtful accounts in the financial statements; and establishing the Monetary Assets Write-Off Review Meeting (MAWORM) to make decisions on write-off of old outstanding receivables.

16. Furthermore, in November 2016, the UNHCR Global Learning Centre, in coordination with AFS, launched an e-learning training programme on basic finance. This training included topics related to the management of accounts receivable. As of August 2017, close to 700 staff had enrolled in this e-learning course. The Global Learning Centre also arranged two workshops (including one specifically for Representatives) on finance fundamentals, which covered elements of management of accounts receivable. The self-study materials of the Senior Leadership and Management Learning Programme and the Emergency Roster training also contained reference to monitoring and follow-up on accounts receivable.

17. Despite the existing control mechanisms and investments in training, there was a risk that control weaknesses could recur unless there was adequate support and oversight by Regional Bureaux over the management of accounts receivable in the field. Although the monthly Country Financial Report (CFR) prepared by AFS provided information on accounts receivable to the management of each field operation,

with a copy to the relevant Regional Bureau, field operations were not required to take action on it and all Regional Bureaux did not send reminders to field operations on the issues indicated in the CFR. As a result, the CFR was not fully utilised as a tool to ensure corrective actions were taken on deviations from standard timelines.

18. In particular, OIOS noted that the Regional Bureaux lacked appropriate guidance in providing timely oversight and support to the field operations, such as a tool or a template to assist Regional Bureaux in preparing trend analyses or comparative statements on the status of long-outstanding items, and a standardized reporting tool to field operations on the results of the analyses and actions necessary. In June 2017, to address the lack of accountability for monitoring and follow-up on accounts receivable, AFS started issuing instructions requiring field operations to confirm that actions were taken on the issues raised in the CFR.

19. In addition, field level operations were often unclear on when to initiate a write-off. AFS had issued standard operating procedures on submission of write-off requests which required field operations to provide detailed information and supporting documents. These procedures also required requests to be initiated through the relevant Regional Bureau, only after all other efforts had been exhausted, particularly for the reimbursement of outstanding VAT from the host government. The standard operating procedures, however, did not provide guidance to field operations on when to stop pursuit of outstanding receivables and initiate the write-off request. DFAM had criteria for writing off receivables but had not communicated this to field operations. As a result, field operations lacked objective criteria for when to initiate a write-off. This could result in unnecessary efforts in pursuit of immaterial and non-recoverable amounts.

**(1) The UNHCR Division of Financial and Administrative Management, in coordination with the Regional Bureaux, should design a tool or template that will assist: (a) Regional Bureaux in providing timely and adequate technical support and oversight to field operations on management of accounts receivable; and (b) field operations in taking informed decisions regarding follow-up on accounts receivable and when to proceed with a request for write-off.**

*UNHCR accepted recommendation 1 and stated that it would develop a simple guidance or flowchart for the Regional Bureaux and field operations to assist them in making better use of the already existing tools, such as the Country Financial Reports and Inter-Office Memorandum No. 041/2013 regarding submission of requests for the write-off of monetary assets. Recommendation 1 remains open pending provision of a tool or template that assists Regional Bureaux in providing technical support and oversight to field operations on management of accounts receivable, and field operations in taking informed decisions regarding follow-up on accounts receivable and when to proceed with a request for write-off of receivables.*

## **B. Control activities**

### Need to update and simplify the guidelines on VAT

20. The UNHCR 2006 VAT Survey and Guidelines requires Heads of Offices in field operations to ensure that VAT is properly recorded in financial records and to assign a focal point for VAT issues and recoveries. The Guidelines also require field operations to maintain a VAT file with details on: other United Nations agencies' practices; correspondence and minutes of meetings with members of the United Nations Country Team and the local government; correspondence with headquarters (Desk, Bureau, LAS); copies of documents supporting the VAT reported in the "recovery reports" (with a clear audit trail); copies of VAT write-off submission requests; copies of recovery vouchers; VAT status reports;

details on frequency of recoveries; and any other relevant documents. The Guidelines also established regular monthly, quarterly and ad-hoc reporting requirements for the field operations.

21. In seven audits, OIOS identified that the field operations concerned had not designated focal points for management of VAT receivables. These field operations could also not demonstrate that they were conducting the required monthly reviews of outstanding VAT receivables and reported on these items to DFAM. In four other audits, OIOS identified that the field operations did not maintain complete VAT files. In particular, although MAWORM required field operations to provide information on the circumstances that caused the receivables to be outstanding and encouraged the Regional Bureaux and field operations to maintain correspondence relating to write-off requests, records of follow-up efforts like reminders (through e-mails, official correspondence, and/or phone calls) and minutes of meetings, such documentation was not systematically kept. OIOS further noted that detailed records of deliberations between field operations, Regional Bureaux and other entities at headquarters on determining the status of outstanding receivables were not filed by the four field operations in question.

22. These shortcomings occurred primarily because of inadequate management attention at the field level to ensure timely follow-up on VAT recoveries and that appropriate local procedures were in place and implemented. AFS considered the existing guidance on management of VAT to be sufficient. If anything, it felt that the requirements for record-keeping should not be too onerous and time-consuming. AFS also stated that it was satisfied with the recent records provided to it for consideration of the write-off cases. Based on the explanations of AFS, OIOS concluded that the existing 2006 Guidelines on VAT needed to not only be simplified but also updated to emphasize the essential controls needed, such as for ensuring that VAT reimbursement procedures were clearly articulated in host country agreements, and the related management monitoring requirements.

**(2) The UNHCR Division of Financial and Administrative Management should update and simplify the existing UNHCR 2006 Value Added Tax Survey and Guidelines, with focus on the essential detective and corrective controls that need to be followed consistently and systematically, including for record-keeping and reporting to headquarters.**

*UNHCR accepted recommendation 2 and agreed to revise IOM/052-FOM/052/2006, 'Value Added Tax (VAT) Survey and Guidelines' in order to better articulate the detective and preventive controls on recording, reporting and monitoring VAT charges. Recommendation 2 remains open pending receipt of the updated guidance on VAT.*

Additional controls were being introduced for monitoring of VAT receivables from procurement undertaken by partners

23. In line with the UNHCR Enhanced Framework for Implementing with Partners, field operations are required to ensure that the partners obtain timely reimbursement of VAT, paid on procurement undertaken by partners on behalf of UNHCR, and timely refund in UNHCR accounts.

24. Four audit reports identified non-compliance with the above requirements. In one field operation, the estimated outstanding amount of VAT reimbursement on procurement by partners was about \$312,000. The Implementing Partnership Management Service (IPMS) of DFAM considered that the main reason for outstanding VAT receivables on procurement by partners was the reluctance of host governments to refund VAT on partner purchases. According to LAS, as of August 2017, 75 per cent of the 103 countries with whom UNHCR had established host country agreements had exempted UNHCR partners from taxes including VAT and duties.



25. IPMS explained that the ongoing revision of Guidance Note No. 4 on Procurement by Partners with UNHCR Funds envisaged requiring partners to clearly indicate to relevant authorities of the host government that the goods/services were being bought with UNHCR funds and were therefore entitled to exemptions from taxes and duties. Partners would also be required to maximize the use of any tax exemptions available under their charitable status. In situations where goods and services bought by partners might be subject to customs duty or taxation, the partners would consult with UNHCR on whether and how these payments might be exempted under the applicable international and national legal instruments.

26. From January 2018, IPMS was also planning to introduce a revised Tripartite Project Partnership Agreement between UNHCR, the partner and the host government. The revised agreement would require the host government to grant UNHCR partners all the privileges and immunities under Section 8 of the Convention on the Privileges and Immunities of the United Nations of 13 February 1946, including on reimbursement of direct and indirect taxes. To ensure timely refund of VAT and other receivables, the revised Tripartite Project Partnership Agreement would require partners to reimburse all miscellaneous revenue to UNHCR within 30 days of submission of the Final Project Financial Report. In addition, IPMS had added review of partner procedures on VAT reimbursement to the terms of engagement of project auditors. The Internal Control Questionnaire provided to the UNHCR project auditors requires them to verify the VAT claim submission process of the concerned partner, follow-up procedures with the relevant departments of the host government, recording of the accounts receivable, and reconciliation of the refunded amount with actual entitlement as a standard audit procedure.

27. In view of the additional controls being introduced by IPMS, OIOS did not raise a recommendation with regard to the recovery of VAT on partner procurement.

### **C. Provisions in accounts**

#### UNHCR was making adequate provisions in its financial statements to reflect the outstanding receivables

28. The Financial Rules for Voluntary Funds Administered by UNHCR (A/AC.96/503/Rev.10) provide policies for establishing accounting systems and financial processes. DFAM is responsible for developing accounting policies, conducting aging analysis of outstanding receivables, writing off bad debts, and making adequate provisions in the annual financial statements. DFAM should also ensure that all material accounts receivable have been included in the financial statements and present valid claims against debtors.

29. Five audit reports indicated that appropriate provisions had not been made for long outstanding receivables in the financial statements as accurate accounts receivable balances were not being communicated to DFAM. After adoption of International Public Sector Accounting Standards (IPSAS) in 2012, UNHCR developed procedures for recording provisions on those receivables that had a low probability of recovery. Also, at the close of every financial year, AFS advised field operations to review their accounts receivable including VAT receivables from host governments. AFS explained that instead of writing off amounts due from Member States due to unwillingness of them to reimburse UNHCR, they made a provision in the financial statements. This approach left open the possibility that in the event of a change of position by the Member State concerned, a recovery might ultimately be possible. However, when a receivable was estimated as uncollectible, the concerned field operation was required to start the write-off process through the relevant Regional Bureau. The decision of categorising a receivable as bad debt and to consequently write it off was taken after detailed deliberations between the field operation in question, the concerned Regional Bureau, AFS, and LAS, if legal advice was needed.

30. Field operations were further required to provide detailed information related to the circumstances that caused the receivables to be outstanding. During 2016 and 2017, MAWORM reviewed 30 cases and authorised 22 cases for write-off. OIOS concluded that the processes in place for writing off bad debts via MAWORM ensured that management decisions were informed by relevant documentation and sufficient consideration was given to associated risks.

31. In view of the above-mentioned controls introduced in recent years, OIOS did not make a recommendation regarding recording of provisions in financial statements for outstanding receivables.

## **D. Liaison with host governments for VAT reimbursement**

### Need to strengthen central monitoring and reporting on host government reimbursement of VAT

32. The UNHCR Manual assigns the responsibility for maintaining liaison and cooperation with the host government to the respective country representative. LAS is responsible for advising and supporting field operations in negotiating host country agreements and liaising with national authorities on questions pertaining to the treatment and status of UNHCR and its personnel, including exemptions from VAT.

33. Field operations liaised with host governments to persuade them to meet their international obligations under the 1946 Convention, sign the host country agreements and grant VAT exemptions in compliance with their international obligation. In this regard, field operations used numerous channels including advocacy with key government officials, requesting support from the United Nations Country Team and reinforcing its diplomatic sources. Where such channels failed, field operations requested LAS, through the concerned Regional Bureau, to take up the matter with the country's permanent mission in Geneva through a formal Note Verbale. As a final step, LAS would contact the United Nations Office of Legal Affairs for them to use their diplomatic efforts with the country's permanent mission in New York. In 2016 and 2017, LAS had sent five Note Verbales to different governments.

34. OIOS review noted that eight internal audit reports issued between 2011 and 2016 had indicated a lack of consistent effort from field operations to claim long outstanding VAT receivables from host countries. LAS stated that the host countries rejected VAT reimbursement claims due to several reasons, such as: (a) absence of host country agreement; (b) absence of specific provisions on VAT exemption and reimbursement in the host country agreement; (c) poor fiscal conditions of the countries; and (d) non-compliance with states' domestic regulatory requirements for claiming VAT reimbursements or exemptions. As a result, the aggregated amount of outstanding VAT amounted to \$13.5 million as at December 2016.

35. Although LAS was responsible for advising field operations on their discussions with host governments over privileges and immunities, it had not been given the responsibility for monitoring and follow-up on failure by governments to sign host country agreements or adding explicit provisions regarding tax exemptions in the agreements. Whilst it was the responsibility of field operations to pursue VAT exemptions and reimbursements from host governments, at the institutional level there was a need to more systematically monitor and report on these processes. This would support the Regional Bureaux in overseeing gaps in this regard and initiate diplomatic efforts to encourage the host countries to meet their international obligation under Section 8 of the Convention on the Privileges and Immunities of the United Nations of 13 February 1946. It would also provide UNHCR senior management with overall statistics regarding the extent to which host countries did not respect the relevant privileges and immunities of UNHCR and the financial impact of this that could be presented to Member States.

**(3) The UNHCR Legal Affairs Service should monitor and provide regular updates to the Regional Bureaux and senior management on countries that do not have a host country agreement with UNHCR or an explicit provision regarding tax exemptions included in the agreement.**

*UNHCR accepted recommendation 3 and stated that LAS would prepare an annual update during the first quarter of each year and share it with senior management. Recommendation 3 remains open pending receipt of an updated report on countries that do not have a host country agreement with UNHCR or an explicit provision regarding tax exemptions included in the country-level agreement.*

## **V. ACKNOWLEDGEMENT**

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

*(Signed)* Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services

**STATUS OF REVIEW RECOMMENDATIONS**

**Review of recurrent issues in monitoring and follow-up on accounts receivable in field operations internal audit reports  
for the Office of the United Nations High Commissioner for Refugees**

<b>Rec. no.</b>	<b>Recommendation</b>	<b>Critical<sup>1</sup>/ Important<sup>2</sup></b>	<b>C/ O<sup>3</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>4</sup></b>
1	The UNHCR Division of Financial and Administrative Management, in coordination with the Regional Bureaux, should design a tool or template that will assist: (a) Regional Bureaux in providing timely and adequate technical support and oversight to field operations on management of accounts receivable; and (b) field operations in taking informed decisions regarding follow-up on accounts receivable and when to proceed with a request for write-off.	Important	O	Submission to OIOS of a tool or template that assists Regional Bureaux in providing technical support and oversight to field operations on management of accounts receivable, and field operations in taking informed decisions regarding follow-up on accounts receivable and when to proceed with a request for write-off of receivables.	30 June 2018
2	The UNHCR Division of Financial and Administrative Management should update and simplify the existing UNHCR 2006 Value Added Tax Survey and Guidelines, with focus on the essential detective and corrective controls that need to be followed consistently and systematically, including for record-keeping, reporting to headquarters, including the submission of request for write-off.	Important	O	Submission to OIOS of the updated guidance on VAT.	30 June 2018
3	The UNHCR Legal Affairs Service should monitor and provide regular updates to the Regional Bureaux and senior management on countries that do not have a host country agreement with UNHCR or an explicit provision regarding tax exemptions included in the agreement.	Important	O	Submission to OIOS of an updated report on countries that do not have a host country agreement with UNHCR or an explicit provision regarding tax exemptions included in the country-level agreement.	31 March 2018

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNHCR in response to recommendations.

# **APPENDIX I**

## **Management Response**

## Management Response

**Review of recurrent issues in monitoring and follow-up on accounts receivable in field operations internal audit reports for the  
Office of the United Nations High Commissioner for Refugees**

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Division of Financial and Administrative Management, in coordination with the Regional Bureaux, should design a tool or template that will assist: (a) Regional Bureaux in providing timely and adequate technical support and oversight to field operations on management of accounts receivable; and (b) field operations in taking informed decisions regarding follow-up on accounts receivable and when to proceed with a request for write-off.	Important	Yes	Head of Service, AFS/ DFAM	30 June 2018	UNHCR has accepted recommendation 1 and agreed to develop a simple guidance or flowchart for the Regional Bureaux and field operations to assist them in making better use of the already existing tools, such as the Country Financial Reports and Inter-Office Memorandum No. 041/2013 regarding the submission of requests for the write-off of monetary assets.
2	The UNHCR Division of Financial and Administrative Management should update and simplify the existing UNHCR 2006 Value Added Tax Survey and Guidelines, with focus on the essential detective and corrective controls that need to be followed consistently and systematically, including for record-keeping, reporting to headquarters, including the submission of request for write-off.	Important	Yes	Senior Policy Advisor, PACS/ DFAM	30 June 2018	UNHCR has accepted recommendation 2 and agreed to revise IOM/052-FOM/052/2006, 'Value Added Tax (VAT) Survey and Guidelines' in order to better articulate the detective and preventive controls in recording, reporting and monitoring VAT charges.

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

**Review of recurrent issues in monitoring and follow-up on accounts receivable in field operations internal audit reports for the Office of the United Nations High Commissioner for Refugees**

3	The UNHCR Legal Affairs Service should monitor and provide regular updates to the Regional Bureaux and senior management on countries that do not have a host country agreement with UNHCR or an explicit provision regarding tax exemptions included in the agreement.	Important	Yes	Head, Legal Affairs	31 March 2018	UNHCR has accepted recommendation 3 and the UNHCR Legal Affairs Service will prepare an annual update for distribution during the first quarter of each year. Implementation can be expected within existing LAS resources.
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