



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/116

Audit of accounts receivable and payable in the African Union-United Nations Hybrid Operation in Darfur

Overall results relating to the effective management of accounts receivable and payable in the African Union-United Nations Hybrid Operation in Darfur were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

**9 December 2013
Assignment No. AP2013/634/07**

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AUDIT REPORT

Audit of accounts receivable and payable in the African Union-United Nations Hybrid Operation in Darfur

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the African Union-United Nations Hybrid Operations in Darfur (UNAMID).
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 Finance Section at the Mission's Headquarters in El Fasher and the Finance Section in the Regional Support Centre in Entebbe (RSCE) were jointly responsible for the management of accounts receivable and payable in UNAMID. The UNAMID Finance Section in El Fasher had 18 staff members comprising 8 international and 10 national staff, and was responsible for the management of accounts receivable and payable that were over one year old. The Section was headed by a chief at the P-5 level. The RSCE Finance Section was responsible for accounts receivable and payable that were less than one year old and for the preparation of monthly ageing reports. As at 30 April 2013, UNAMID had accounts receivable and payable valued at \$11.8 million and \$6.7 million respectively.
4. Comments provided by UNAMID are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNAMID governance, risk management and control processes in providing reasonable assurance regarding the **effective management of accounts receivable and payable in UNAMID**.
6. The audit was included in the OIOS 2013 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 September 2013. The audit covered the period from 1 July 2012 to 30 April 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 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 controls 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 UNAMID 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 UNAMID**. OIOS made five recommendations to address the issues identified. UNAMID satisfactorily recorded accounts receivable and payable, and ensured that related balances were adequately supported. However, during the audit period, controls over accounts receivable and payable were lax resulting in the accumulation of significant balances. There was a need to: (a) establish an action plan to settle long outstanding accounts receivable; (b) systematically follow-up with implementing partners on advances paid for quick-impact projects; (c) request approval from the Controller to write off irrecoverable balances; (d) ensure that accounts payable were settled in a timely manner; (e) transfer funds donated by staff to support relief efforts to the intended beneficiaries; and (f) up-date leave records.

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 controls

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 UNAMID	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

Accounts receivable and payable were properly recorded and adequately supported

13. As at 30 April 2013, UNAMID had accounts receivable and payable valued at \$11.8 million and \$6.7 million respectively. Accounts receivable included: advances to staff; intermission billings for goods and services to other United Nations agencies, funds and programmes; and advances to implementing partners for quick-impact projects. Accounts payable included amounts withheld from departing staff members and due to vendors. A review of the supporting documentation for accounts receivable and payable valued at \$5.5 million and \$3.3 million respectively indicated that the related balances were adequately supported.

Inadequate monitoring and follow-up on accounts receivable

14. 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 to ensure accurate opening balances as of 1 July 2013. These instructions also required peacekeeping missions to submit to the Controller, requests to write-off accounts receivable that were deemed irrecoverable.

15. UNAMID did not implement procedures to ensure that accounts receivable were settled in a timely manner, as indicated in the following paragraphs.

(a) Inadequate follow-up to settle advances paid to Mission personnel

16. As of 30 April 2013, UNAMID had \$1.9 million in accounts receivable from staff, including an amount of \$415,286 that had been outstanding for more than one year. These amounts related to travel costs, including daily subsistence allowances which had not been systematically reviewed and followed up with staff members to ensure that they were settled on a timely basis. To address the high number of accounts receivables relating to travel, in May 2013 UNAMID deducted \$1 million from 502 personnel who had not complied with the requirement to submit their travel claim within the prescribed period. This action considerably reduced the staff accounts receivable balance.

17. Nonetheless, there remained an amount of \$342,529 relating to advances paid to former mission civilian, military and police personnel. While the Finance Section issued follow-up letters to 43 former UNAMID personnel for accounts receivable totaling \$73,439; UNAMID was only successful in recovering \$12,025. This follow-up action was insufficient.

18. Moreover, as at 30 April 2013, UNAMID accounts receivable included amounts totaling \$337,476 that were over three years old. This mainly included amounts due from staff and from implementing partners for quick-impact projects. Considering the age of these advances, UNAMID needed to review these balances to determine whether they were still recoverable and whether write-off procedures needed to be considered.

(b) Advances paid to partners for quick-impact projects were not settled on a timely basis

19. As of 30 April 2013, UNAMID had \$2.6 million in accounts receivable relating to advances paid to implementing partners for quick-impact projects. An amount of \$1.8 million related to current advances for ongoing projects; however, an amount of \$712,602 had been outstanding for more than one year, even though the completion of such projects was expected to occur within a three-month period. UNAMID advised that these projects were often delayed due to the security situation. UNAMID had been following up with non-performing implementing partners to recover long outstanding amounts. However, this process was not successful and in June 2013, UNAMID decided to request write-off of \$78,368 for advances paid to partners for quick-impact projects that had not been implemented as agreed. UNAMID advised that to address these concerns, it had strengthened its procedures for the management of quick-impact projects.

20. The accumulation of accounts receivable resulted as inadequate attention had been given to their recovery. UNAMID also attributed the limited follow-up to the lack of clarity of responsibilities between UNAMID and the RSCE. This was subsequently resolved with responsibilities for follow-up split between the UNAMID Finance Section and RSCE. Nonetheless, UNAMID needed to regularly

coordinate with the RSCE to ensure that all outstanding balances were followed up and to mitigate the risk of balances becoming irrecoverable due to the passage of time.

- (1) UNAMID, in coordination with the Regional Service Centre in Entebbe, should: (a) establish an action plan for collecting long outstanding accounts receivable and ensure that an adequate process for continuously monitoring and following up on accounts receivable is implemented; and (b) review long outstanding accounts receivable and request approval from the Controller for write-off, if balances are deemed irrecoverable.**

UNAMID accepted recommendation 1 and stated that a thorough review of all outstanding accounts receivable was carried out in preparation for Umoja implementation. The resulted in the write off of all long outstanding accounts receivable in October 2013. Based on the action taken by UNAMID, recommendation 1 has been closed.

- (2) UNAMID should regularly follow up with implementing partners to ensure that advances provided for the implementation of quick-impact projects are settled in a timely manner.**

UNAMID accepted recommendation 2 and stated that all outstanding advances for quick-impact projects were recognized as expenses effective 1 July 2013 in accordance with IPSAS instructions. Payments to implementing partners had been expensed and were no longer treated as advances. Although these amounts were expensed, UNAMID still needs to ensure that advances previously disbursed to implementing partners were accounted for and properly utilized for project implementation. Recommendation 2 remains open pending receipt of evidence that UNAMID has put in place a mechanism to ensure that advances paid to implementing partners for quick-impact projects are monitored and adequately tracked.

Accounts payable were not settled on a timely basis

21. As at 30 April 2013, UNAMID had accounts payable totaling \$6.7 million, with the bulk of this balance relating to: (a) vendor invoices, (b) funds retained on construction contracts; and (c) amounts withheld from departing staff members.

22. UNAMID effectively settled its accounts payable relating to vendors within a reasonable period. However, inadequate controls were implemented over the settlement of accounts payable to staff and the transfer of funds collected from staff in 2010 to support relief efforts for two humanitarian crises, as follows:

(a) The Field Finance Procedure Guidelines required missions to withhold a minimum of \$500 from departing personnel during the check-out process to settle outstanding charges. While UNAMID withheld a minimum of \$500 from all departing mission personnel, the Finance Section did not return the amount withheld (minus relevant deductions) to departed personnel within the stipulated three months. Therefore, as at 30 April 2013, UNAMID had \$838,990 due to 1,162 former staff, mainly uniformed personnel. UNAMID advised that it was unable to return funds because it did not have many of the former staff members' bank accounts and contact details. UNAMID started sending follow-up letters in February 2013, and was also sending letters to the heads of contingents presently serving in the Mission soliciting their help to locate departed personnel.

(b) Accounts payable included \$219,674 collected from staff in 2010 to support relief efforts for two humanitarian crises. UNAMID did not give sufficient attention to these donations, and as

a result these donations were not transferred to intended beneficiaries for three years. In 2013, one of the donations totaling \$163,156 was remitted to the United Nations Charitable Donations account. For the second donation, UNAMID transferred the collected funds to the UNAMID Staff Welfare account on 10 October 2013. However, the transfer of the funds to support relief efforts was still pending.

(3) UNAMID should, in coordination with the Regional Service Centre in Entebbe, implement procedures to ensure that accounts payable are settled in a timely manner and banking and contact details of all departing staff members are updated prior to their departure from the Mission.

UNAMID accepted recommendation 3 and stated that the Regional Service Centre in Entebbe would be responsible to release all withheld amounts in accordance with the service level agreement. The Umoja solution would facilitate the release of payments based on specified due dates. Umoja would also capture the banking details of all personnel to facilitate payments. Recommendation 3 remains open pending receipt of evidence that the Regional Service Centre in Entebbe has settled long outstanding accounts payable and banking details of all departing staff members are updated in Umoja prior to their departure.

(4) UNAMID should transfer the funds collected from staff members to support relief efforts to the intended beneficiaries.

UNAMID accepted recommendation 4 and stated that it was working closely with the Accounts Division in the Department of Management to ensure that collected funds were transferred to the intended beneficiaries. Recommendation 4 remains open pending receipt of evidence that funds donated by staff members to support relief efforts have been transferred to the intended beneficiaries.

Unliquidated obligations were duly validated by the respective self-accounting units

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 until 30 June 2013 and reconcile related balances in the procurement and financial systems.

24. The Finance Section issued monthly status reports of unliquidated obligations to self-accounting units with a request to update the balances. UNAMID also established a Task Force to ensure that thorough reviews of unliquidated obligations were conducted. The Task Force, which included representatives from Finance, Procurement and Budget Sections and self-accounting units, met regularly to review unliquidated obligations and to ensure that they were adequately supported or cleared if no longer required. UNAMID had unliquidated obligations totaling \$93 million, as at 30 June 2012, and these were reduced to \$62.6 million, as at 30 June 2013, through these regular reviews. The Task Force had implemented adequate procedures to ensure that unliquidated obligations as at 30 June 2013 were valid.

Leave records were unreliable

25. The instructions issued by the Department of Management required missions to calculate accrued liabilities for unused annual leave days of national staff, update attendance data for international staff and accrue liabilities for other staff benefits earned as at 30 June 2013.

26. As at 30 June 2013, there were: (a) 22 national staff with negative leave balances and 424 with more than the maximum of 60 days of unused annual leave; and (b) 106 international staff with negative leave balances and 15 with more than the maximum 60 days. This indicated that UNAMID leave records were unreliable.

27. Consequently, UNAMID was not able to calculate its accrued liabilities for unused annual leave days. The Human Resources Section advised that attendance records had not been captured in the Integrated Management Information System and that the Time and Attendance Unit in RCSE was still in the process of capturing attendance data. There was no interface between the Field Support Suite and the Integrated Management Information System resulting in the need to manually capture attendance records in the system.

(5) UNAMID should update its national and international staff leave records in the Field Support Suite and ensure that correct leave balances for international staff are properly recorded in the Integrated Management Information System.

UNAMID accepted recommendation 5 and stated that staff annual leave records were updated as at 30 June 2013 during the year-end closing. Annual leave balances for national and international staff members had been properly recorded in the Integrated Management Information System. Recommendation 5 remains open pending OIOS verification that leave records for both national and international staff members have been updated in the Field Support Suite and leave balance for international staff members are properly recorded in the Integrated Management Information System.

IV. ACKNOWLEDGEMENT

28. OIOS wishes to express its appreciation to the Management and staff of UNAMID 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 African Union-United Nations Hybrid Operation in Darfur

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMID, in coordination with the Regional Service Centre in Entebbe, should: (a) establish an action plan for collecting long outstanding accounts receivable and ensure that an adequate process for continuously monitoring and following up on accounts receivable is implemented; and (b) review long outstanding accounts receivable and request approval from the Controller for write-off, if balances are deemed irrecoverable.	Important	C	Action taken	Implemented
2	UNAMID should regularly follow up with implementing partners to ensure that advances provided for the implementation of quick-impact projects are settled in a timely manner.	Important	O	Receipt of evidence that mechanisms have been put in place to ensure that advances paid to implementing partners for quick-impact projects are monitored and adequately tracked.	1 July 2013
3	UNAMID should, in coordination with the Regional Service Centre in Entebbe, implement procedures to ensure that accounts payable are settled in a timely manner and banking and contact details of all departing staff members are updated prior to their departure from the Mission.	Important	O	Receipt of evidence that the Regional Service Centre in Entebbe has settled long outstanding accounts payable and banking details of all departing staff members are updated in Umoja prior to their departure.	1 November 2013
4	UNAMID should transfer the funds collected from staff members to support relief efforts to the intended beneficiaries.	Important	O	Confirmation that funds donated by staff members to support humanitarian relief efforts have been transferred to the intended beneficiaries.	15 January 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 UNAMID in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of accounts receivable and payable in the African Union-United Nations Hybrid Operation in Darfur

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
5	UNAMID should update its national and international staff leave records in the Field Support Suite and ensure that correct leave balances for international staff are properly recorded in the Integrated Management Information System.	Important	O	OIOS verification that leave records for both national and international staff members have been updated in the Field Support Suite and leave balance for international staff members are properly recorded in the Integrated Management Information System.	30 June 2013

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 UNAMID in response to recommendations.

APPENDIX I

Management Response

AFRICAN UNION

الاتحاد الأفريقي



UNAMID



UNITED NATIONS

الأمم المتحدة

African Union – United Nations Hybrid Operation in Darfur

Office of the Joint Special Representative

02 December 2013

To: Ms. Eleanor T. Burns
Chief, Peacekeeping Audit Service
Internal Audit Division, OIOS

From: Mohamed Ibn Chambas
Joint Special Representative
UNAMID

Subject: **Draft report on an audit of accounts receivable and payable in the African Union-United Nations Hybrid Operation in Darfur (Assignment No: AP2013/634/07)**

1. With reference to your memorandum of 24 November 2013, on the captioned-subject, please find attached herewith UNAMID's response (Appendix I) to the draft report for your consideration and records.

Thank you.

cc: Mr. Wolfgang Weiszegger, DMS
Mr. Elijah Karambizi, DDMS
Dr. Vincent Osabutey-Anikon, OiC, Operations and Services Pillar
Mr. Prances Sooja, CRA/OIOS, UNAMID

Management Response

Audit of accounts receivable and payable in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ⁵ / Important ⁶	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should: (a) establish an action plan for collecting long outstanding accounts receivable and ensure, in coordination with the Regional Service Center in Entebbe, that an adequate process for continuously monitoring and following up accounts receivable is implemented; and (b) review long outstanding accounts receivable and request approval from the Controller for write-off, if balances are deemed irrecoverable	Important	Yes	Chief Finance Officer	14 October 2013	A thorough of all outstanding accounts receivable was carried out in preparation for Umoja implementation. The outcome of the review resulted in the write off of all long outstanding receivable in October 2013. The following memos and facsimile requesting the write –off have been provided to OIOS. 1. Fax dated 17 Sept'13 to the Controller 2. Fax dated 14 Oct'13 to the Controller 3. Memo dated 29 Sept' 13 to DMS 4. Memo dated 13Oct' 13 to DMS
2	UNAMID should regularly follow up with implementing partners to ensure that advances provided for the implementation of quick-impact projects are settled in a timely manner.	Important	Yes	Chief Finance Officer	1 July 2013	All outstanding advances for the Quick Impact Projects (QIPs) were recognized as expenses effective 01 July 2013. This is in accordance with the United Nations IPSAS Policy Framework 10.2.16. Payments to Implementing Partners are expensed and are no longer treated as advances.

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.

APPENDIX I

Management Response

Audit of accounts receivable and payable in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical⁷/ Important⁸	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	UNAMID should, in coordination with the Regional Service Centre in Entebbe, implement procedures to ensure that accounts payable are settled in a timely manner and banking and contact details of all departing staff members are updated prior to their departure from the Mission.	Important	Yes	Chief Finance Officer	01 November 2013	With the implementation of Umoja, the Regional Service Centre in Entebbe (RSCE) will be responsible to release all withheld amounts in accordance with the Service Level Agreement (SLA). The Umoja solution will facilitate the timely release of all payment as the system (Umoja) recognizes due dates. Umoja will also capture the banking details of all personnel through the Business Partner (BP) to facilitate the payments.
4	UNAMID should transfer the funds collected from staff members to support relief efforts to the intended beneficiaries.	Important	Yes	Chairperson UNAMID Staff Welfare Committee and Chief Finance Officer	15 January 2014	UNAMID is working closely with Accounts Division/Department of Management to ensure that the funds are transferred to the transferred to the intended beneficiary.
5	UNAMID should update its national and international staff leave records in the Field Support Suite and ensure that correct leave balances for international staff are properly recorded in the Integrated Management Information System.	Important	Yes	Chief Human Resources Officer	30 June 2013	The staff annual leave records were updated as at 30 June 2013 during the year-end closing. The annual leave balances for national and international staff are now properly recorded in Integrated Management Information System (IMIS).

⁷ 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.

⁸ 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.