Audit of accounts receivable and payable in the United Nations Mission in South Sudan

Overall results relating to the effective management of accounts receivable and payable in UNMISS were initially assessed as partially satisfactory. Implementation of seven important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

28 April 2014
Assignment No. AP2013/633/03
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AUDIT REPORT

Audit of accounts receivable and payable in the United Nations Mission in South Sudan

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the United Nations Mission in South Sudan (UNMISS).

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. On 28 April 2011, UNMISS and the Regional Service Centre in Entebbe (RSCE) signed an operational level agreement, in line with the global field support strategy. As part of this agreement, the Accounts Unit in the RSCE Finance Section assumed the responsibility for managing the UNMISS accounts receivable and payable, effective 15 May 2012. Accounts receivable and payable in UNMISS included balances due either from or to: staff members; vendors; inter-office billings; and other United Nations entities. As at 30 June 2013, UNMISS had accounts receivable totaling $6.3 million and accounts payable totaling $35.7 million.

4. Comments provided by UNMISS are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. The audit was conducted to assess the adequacy and effectiveness of UNMISS governance, risk management and control processes in providing reasonable assurance regarding the effective management of accounts receivable and payable in UNMISS.

6. The audit was included in the 2013 OIOS risk-based work plan because of the financial and operational risks related to the potential lack of reliable and accurate accounts receivable and payable opening balances for the adoption of the 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 procedure: (a) exist to guide the management of accounts receivable and payable in UNMISS; (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 May to September 2013. The audit covered the period from 9 July 2011 (the start of the Mission) to 30 June 2013.

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 UNMISS governance, risk management and control processes examined were assessed as partially satisfactory in providing reasonable assurance regarding the effective management of accounts receivable and payable in UNMISS. OIOS made seven recommendations to address the issues identified. RSCE in conjunction with UNMISS had started to take action to clear accounts receivable and unliquidated obligations to ensure the accuracy of IPSAS opening balances. As a result, outstanding accounts receivable totaling $26.3 million as at 31 May 2013 had been reduced to $6.3 million as at 30 June 2013. However, RSCE in conjunction with UNMISS needed to ensure that: (a) all accounts receivable and payable were supported with adequate documentation; (b) recovery and settlement of accounts receivable and payable were done in a timely manner; and (c) leave records and related entitlements for staff are accurate and up-to-date.

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

Table 1: Assessment of key control

<table>
<thead>
<tr>
<th>Business objective</th>
<th>Key control</th>
<th>Control objectives</th>
<th>Compliance with mandates, regulations and rules</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Efficient and effective operations</td>
<td>Accurate financial and operational reporting</td>
</tr>
<tr>
<td>Effective management of accounts receivable and payable in UNMISS</td>
<td>Regulatory framework</td>
<td>Partially satisfactory</td>
<td>Partially satisfactory</td>
</tr>
</tbody>
</table>

Regulatory framework

Accounts receivable and payable were not adequately supported

13. As at 31 May 2013, UNMISS had $26.3 million in accounts receivable, of which $21.0 million related to inter-office billings mainly for services provided to the United Nations Interim Security Force for Abyei. Accounts payable balances as at 31 May 2013 totaled $4.8 million. A review of $17.2 million of the $26.3 million in accounts receivable as at 31 May 2013 showed that supporting documentation was not available for accounts totaling $15.7 million. Similarly, for accounts payable, a review of $3.8 million of the $4.8 million outstanding as at 31 May 2013 showed that accounts totaling $2.8 million did not have supporting documents. As a result, UNMISS was not able to establish the validity of accounts receivable and payable balances, which impacted on the reliability of opening balances for IPSAS-compliant financial statements. The lack of adequate supporting documents resulted as the Finance Officer in Juba had not implemented an adequate filing system.

(1) RSCE in conjunction with UNMISS should ensure that all documents supporting accounts receivable and payable are located and appropriately filed.

UNMISS accepted recommendation 1 and stated that RSCE in coordination with UNMISS ensured that all documents supporting the accounts receivable balance were located both in RSCE and the
Juba Regional Finance Office. Recommendation 1 remains open pending OIOS verification that accounts receivable and payable balances are adequately supported.

UNMISS did not adequately monitor accounts receivable balances

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 year-end 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 accuracy of 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.

   (a) Regular follow-up was required to settle accounts receivable in a timely manner

15. In preparation for the implementation of Umoja, UNMISS took action to recover long outstanding accounts receivable. In addition, within the delegated authority of the Director of Mission Support, 61 accounts receivable totaling $6,786 were deemed irrecoverable and approved for write-off. The UNMISS follow-up and recovery actions resulted in a reduction in accounts receivable balance from $11.9 million as at 30 June 2012 to $6.3 million as at 30 June 2013.

16. Nonetheless, RSCE in conjunction with UNMISS needed to implement a system to ensure that outstanding accounts receivable were regularly monitored. A review of 39 travel advances totaling $101,755 paid to staff members between January 2012 and May 2013 indicated that 27 of them totaling $69,925 had been outstanding for a period of between six months and one year. This resulted as UNMISS did not systematically submit travel claim forms to the RSCE for settlement and regularly monitored travel advances paid.

   (b) Action was needed to request write-off of irrecoverable amounts

17. As at 30 June 2013, UNMISS had $1 million (or 16 per cent) in accounts receivable that was over one year old. These accounts mainly related to advances to staff, military contingents and Member States, and inter-office billings, of which $684,422 related to a liquidated mission, the United Nations Mission in Sudan (UNMIS). UNMISS needed to review these balances to determine if they were still recoverable.

(2) RSCE, in conjunction with UNMISS, should establish a system to ensure that outstanding receivables, including travel advances, are settled in a timely basis.

UNMISS accepted recommendation 2 and stated that RSCE, in conjunction with UNMISS, instituted a team that regularly reviewed accounts receivable to intensify efforts to collect outstanding balances in a timely manner. Recommendation 2 remains open pending receipt of evidence that a system has been implemented to ensure that accounts receivable are cleared in a timely manner.

(3) RSCE, in conjunction with UNMISS, should review long outstanding accounts receivable and request approval from the Director of Mission Support or the Controller for write-off, if balances are deemed irrecoverable.

UNMISS accepted recommendation 3 and stated that RSCE, in conjunction with UNMISS, had been proficiently reviewing long outstanding accounts receivable through aging analysis reports and started filing the write-off cases to the Director of Mission Support or the Controller accordingly. Recommendation 3 remains open pending receipt of evidence that long outstanding accounts receivable have been reviewed and action taken to write off balances that are deemed irrecoverable.
Inadequate procedures for monitoring and settling accounts receivable

18. The IPSAS Opening Balance Plan and closing instructions issued by the Department of Management required peacekeeping missions to clean up accounts payable. As of 30 June 2013, UNMISS had accounts payable totaling $35.7 million, including: vendor invoices ($18.2 million); (b) amounts due to mission and uniformed personnel ($5.8 million); inter-office billings ($11.3 million) and others ($0.4 million).

19. As at 30 June 2013, $10 million mainly related to inter-office billings and amounts due to vendors that had been outstanding for more than a year. This resulted as UNMISS had not dedicated sufficient attention to settling outstanding accounts payable balances in a timely manner. Moreover, there was a balance of $78,125 payable to separated personnel. UNMISS/RSCE had not paid these amounts due to inaccurate banking details provided by separated staff. This resulted due to ineffective check-out procedures and inadequate follow-up by the RSCE Finance Section with the Human Resource Section that was responsible for settling outstanding accounts payable.

(4) RSCE, in conjunction with UNMISS, should intensify its efforts to settle outstanding accounts payable balances in a timely manner.

UNMISS accepted recommendation 4 and stated that RSCE in conjunction with UNMISS established a data cleansing team to check the validity of and to pay and settle long outstanding accounts payable. The team was regularly reviewing the accounts payable to intensify efforts to settle outstanding balances. Recommendation 4 remains open pending OIOS verification that adequate measures have been taken to settle accounts payable.

(5) RSCE, in conjunction with UNMISS, should improve its check-out procedures to ensure that accurate forwarding address and banking details of staff members are obtained prior to their checking out from the mission.

UNMISS accepted recommendation 5 and stated that it would ensure that relevant banking details were attached to check-out forms prior to staff leaving the mission. Recommendation 5 remains open pending OIOS verification that an adequate system is in place to obtain the pertinent banking details from outgoing personnel.

UNMISS did not systematically claim reimbursable costs from other United Nations entities

20. UNMISS had memoranda of understanding with several United Nations agencies, funds and programmes for services provided to them. On a monthly basis, UNMISS self-accounting units, in conjunction with the Finance Office in Juba, were required to prepare invoices for remittance to the various entities.

21. UNMISS did not prepare invoices and systematically follow up with 12 of 17 United Nations entities for reimbursement. This resulted due to inadequate monitoring and coordination between self-accounting units and the Finance Office in Juba. Furthermore, due to incomplete records maintained by the self-accounting units, UNMISS could not provide OIOS with the total amount reimbursable from other entities, impacting on the reliability of the opening balances for IPSAS-compliant financial statements.
UNMISS should initiate action to obtain reimbursement for services provided to other United Nations entities in accordance with the memoranda of understanding signed by respective parties, and establish a system to ensure that reimbursements are received regularly.

UNMISS accepted recommendation 6 and stated that it had initiated action to recover costs of services provided to the various entities, and would continue to coordinate with the RSCE Finance Section to ensure that invoices were settled in accordance with memoranda of understanding. Recommendation 6 remains open pending receipt of evidence that outstanding amounts due from United Nations entities have been determined and recovered, and a system has been established to claim reimbursements for services rendered in a timely manner.

UNMISS did not maintain correct and up-to-date leave records and related entitlements for staff

22. 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 accrued liabilities for other staff benefits earned as at 30 June 2013.

23. A review of leave reports as at 31 May 2013 indicated that there were 995 leave balance reports for the 850 international staff members. The RSCE Human Resources Section had not updated staff travel records for home leave, family visit and education grant. This resulted as UNMISS had inherited a three-year backlog of personnel records from the liquidated mission, UNMIS. UNMISS only initiated action in August 2013 to update leave records.

24. The lack of up-to-date and reliable leave balances and entitlements impacted on the reliability of opening balances for IPSAS-compliant financial statements.

UNMISS should take steps to maintain accurate and up-to-date leave records and related entitlements for staff as required by the closing instructions issued by the Department of Management.

UNMISS accepted recommendation 7 and stated that the maintenance of leave records had been transferred to RSCE and leave records were being updated to ensure that they were accurate by end of March 2014. Recommendation 7 remains open pending receipt of evidence that leave records and details on related entitlements are up-to-date.

Outstanding obligations were reviewed and reconciled in a timely manner

25. 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.

26. As at 31 May 2013, UNMISS had $95 million in unliquidated obligations of which $20 million and $75 million were related to fiscal years 2011/12 and 2012/13, respectively. The RSCE Finance Section, self-accounting units and the Procurement Section conducted regular reviews of unliquidated obligations and maintained adequate supporting documentation. As a result of regular reviews and reconciliations, UNMISS cancelled/surrendered 99 per cent of unliquidated obligations related to fiscal year 2011/12. OIOS concluded that adequate and effective procedures were in place to manage and clear unliquidated obligations.
IV. ACKNOWLEDGEMENT

27. OIOS wishes to express its appreciation to the Management and staff of UNMISS 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 Mission in South Sudan

<table>
<thead>
<tr>
<th>Recom. no.</th>
<th>Recommendation</th>
<th>Critical(^1)/ Important(^2)</th>
<th>C/ O(^3)</th>
<th>Actions needed to close recommendation</th>
<th>Implementation date(^4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The RSCE in conjunction with UNMISS should ensure that all documents supporting accounts receivable and payable are located and appropriately filed.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence that documents supporting accounts receivable and payable are located and appropriately filed.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>2</td>
<td>The RSCE, in conjunction with UNMISS, should establish a system to ensure that outstanding receivables, including travel advances, are settled in a timely basis.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence showing that a system is established to ensure that outstanding receivables are settled in a timely basis.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>3</td>
<td>The RSCE, in conjunction with UNMISS, should review long outstanding accounts receivable and request approval from the Director of Mission Support or the Controller for write-off, if balances are deemed irrecoverable.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence that long outstanding accounts receivable have been reviewed and that action is being taken to write-off balances that are deemed irrecoverable.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>4</td>
<td>The RSCE, in conjunction with UNMISS, should intensify its efforts to settle outstanding accounts payable balances in a timely manner.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence that adequate measures have been taken to settle outstanding accounts payable.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>5</td>
<td>The RSCE, in conjunction with UNMISS, should improve its check-out procedures to ensure that accurate forwarding address and banking details of departing staff members are obtained prior to staff checking out from the missions.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence that an adequate system is in place to obtain the pertinent banking details from departing personnel.</td>
<td>Ongoing</td>
</tr>
<tr>
<td>6</td>
<td>UNMISS should initiate action to obtain reimbursement for services provided to other United Nations entities in accordance with the</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence that outstanding amounts due from United Nations entities have been determined and recovered, and that a system has</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

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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 UNMISS in response to recommendations
**STATUS OF AUDIT RECOMMENDATIONS**

Audit of accounts receivable and payable in the United Nations Mission in South Sudan

<table>
<thead>
<tr>
<th>Recom. no.</th>
<th>Recommendation</th>
<th>Critical1/ Important2</th>
<th>C/ O3</th>
<th>Actions needed to close recommendation</th>
<th>Implementation date4</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>UNMISS should maintain accurate and up-to-date leave records and related entitlements for staff as required by the closing instructions issued by the Department of Management.</td>
<td>Important</td>
<td>O</td>
<td>Receipt of evidence that accurate and up-to-date records, on leave and related entitlements, are maintained by the Mission.</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
APPENDIX I

Management Response
Date: 5 March 2014

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

From: Ms. Hilde Johnson, Special Representative
Of the Secretary General, UNMISS

Subject: Draft report on the audit of accounts receivable and payable in the United Nations Mission in South Sudan (Assignment no. AP2013/633/03)

1. Reference your memos dated 21 November 2013 and 7 February 2014 on Assignment No. AP 2013/633/03 on the audit of movement control operations in UNMISS.

2. Please find attached the Mission’s responses.

3. Should you have additional questions, please contact myself or Patricia Fynn, Administrative Officer/ Audit Focal Point.

Best regards,

Attachments: Appendix 1

cc: Ms. Stephani Scheer, Director of Mission Support
Ms. Annemarie van den Berg, Deputy Director of Mission Support
Mr. Paul Egunsola, Chief of Staff
Mr. Ibrahim Bah, Chief Resident Auditor
## Management Response

Audit of accounts receivable and payable in the United Nations Mission in South Sudan

<table>
<thead>
<tr>
<th>Rec. no.</th>
<th>Recommendation</th>
<th>Critical¹/Important²</th>
<th>Accepted? (Yes/No)</th>
<th>Title of responsible individual</th>
<th>Implementation date</th>
<th>Client comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The RSCE in conjunction with UNMISS should ensure that all documents supporting accounts receivable and payable are located and appropriately filed.</td>
<td>Important</td>
<td>Yes</td>
<td>CFO</td>
<td>On-going</td>
<td>The RSCE in coordination with UNMISS ensured that all supporting documents of accounts receivable and payable are located both in RSCE and Juba Regional Finance office.</td>
</tr>
<tr>
<td>2</td>
<td>The RSCE, in conjunction with UNMISS, should establish a system to ensure that outstanding receivables, including travel advances, are settled in a timely basis.</td>
<td>Important</td>
<td>Yes</td>
<td>CFO</td>
<td>On-going</td>
<td>The RSCE in conjunction with UNMISS, instituted a team that regularly reviews the accounts receivables to intensify efforts to collect outstanding balances in a timely manner.</td>
</tr>
<tr>
<td>3</td>
<td>The RSCE, in conjunction with UNMISS, should review long outstanding accounts receivable and request approval from the Director of Mission Support or the Controller for write-off, if balances are deemed irrecoverable.</td>
<td>Important</td>
<td>Yes</td>
<td>CFO</td>
<td>On-going</td>
<td>The RSCE in coordination with UNMISS, has been proficiently reviewing the long outstanding accounts receivable through aging analysis reports and started filing the write-off cases to DMS, Director Accounts and Controller accordingly in June and July 2013.</td>
</tr>
<tr>
<td>4</td>
<td>The RSCE, in conjunction with UNMISS, should intensify its efforts to settle outstanding accounts payable balances in a timely manner.</td>
<td>Important</td>
<td>Yes</td>
<td>CFO</td>
<td>On-going</td>
<td>The RSCE in conjunction with UNMISS, established a data cleansing team to check the validity and to pay and settle the long outstanding accounts payable in a timely manner. The team was regularly reviewing the accounts payable to intensify efforts to settle outstanding balances.</td>
</tr>
</tbody>
</table>

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.
### Management Response

**Audit of accounts receivable and payable in the United Nations Mission in South Sudan**

<table>
<thead>
<tr>
<th>Rec. no.</th>
<th>Recommendation</th>
<th>Critical¹/Important²</th>
<th>Accepted? (Yes/No)</th>
<th>Title of responsible individual</th>
<th>Implementation date</th>
<th>Client comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>The RSCE, in conjunction with UNMISS, should improve its check-out procedures to ensure that accurate forwarding address and banking details of departing staff members are obtained prior to staff checking out from the missions.</td>
<td>Important</td>
<td></td>
<td></td>
<td>On-going</td>
<td>UNMISS Management agreed on the audit recommendation and Mission Finance will make sure that relevant banking details are attached with check out form before it clear for departing staff member</td>
</tr>
<tr>
<td>6</td>
<td>UNMISS should initiate action to obtain reimbursement for services provided to other United Nations entities in accordance with the memoranda of understanding signed by the respective parties, and establish a system to ensure that reimbursements are received regularly.</td>
<td>Important</td>
<td>Yes</td>
<td>CFO</td>
<td>On-going</td>
<td>UNMISS has already initiated actions to recover costs of services provided to other United Nations entities and shall continue to coordinate with RSCE to ensure that invoices submitted are recovered in accordance with the MOUs.</td>
</tr>
<tr>
<td>7</td>
<td>UNMISS should maintain accurate and up-to-date leave records and related entitlements for staff as required by the closing instructions issued by the Department of Management.</td>
<td>Important</td>
<td></td>
<td></td>
<td>On-going</td>
<td>This function has moved to RSCE in Entebbe and records are being updated to ensure that there is an accurate reflection by end March 2014.</td>
</tr>
</tbody>
</table>