



INTERNAL AUDIT DIVISION

REPORT 2019/124

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

The Mission needed to actively follow up on settlement of long outstanding accounts receivable and payable

**16 December 2019
Assignment No. AP2019/634/02**

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

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and payable in the African Union-United Nations Hybrid Operation in Darfur (UNAMID). The objective of the audit was to assess the adequacy and effectiveness of controls ensuring the validity and timely settlement of accounts receivable and payable in UNAMID. The audit covered the period from 1 July 2017 to 31 August 2019 and included accounts receivable due from non-UNAMID entities, accounts receivable due from staff, collection and write-off of accounts receivable and settlement of accounts payable.

The Mission improved processing of amounts due from third-parties and staff, but further efforts were needed to settle long outstanding accounts receivable and payable. OIOS made one recommendation for UNAMID to expedite, in collaboration with Regional Service Centre in Entebbe, the settlement of long outstanding accounts receivable and payable, and to initiate write off procedures where appropriate. UNAMID accepted the recommendation and has initiated action to implement it.

CONTENTS

	Page
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	1-2
III. AUDIT RESULTS	2-5
A. Accounts receivable due from non-UNAMID entities	2-3
B. Accounts receivable due from staff	3
C. Collection and settlement of accounts receivable and payable	3-5
IV. ACKNOWLEDGEMENT	5
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

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 Operation in Darfur (UNAMID).
2. Various guidelines such as the United Nations Financial Regulations and Rules (FRR), International Public Sector Accounting Standards (IPSAS), the Field Finance Procedure Guidelines (FFPG) and UNAMID standard operating procedures on support provided by UNAMID to other entities on a cost recovery basis govern the management and recording of accounts receivable and payable.
3. The UNAMID Budget and Finance Section (BFS) is responsible for the management of accounts receivable and payable in the Mission. BFS is headed by an officer-in-charge at the P-4 level and has 15 staff consisting of 8 international and 7 national staff. The service level agreement between UNAMID and the Regional Service Centre in Entebbe (RSCE) provides that RSCE is also involved with recording, collection and settlement of accounts receivable and payable in UNAMID. Table 1 shows UNAMID accounts receivable and payable balances as of December 2018 and August 2019, respectively.

Table 1:
UNAMID Accounts receivable and payable balances (in \$)

	<i>As at 31 December 2018</i>	<i>As at 31 August 2019</i>
Accounts receivable	3,332,964	3,556,817
Accounts payable	974,877	9,125,146*

Source: UNAMID BFS

**The increase was mainly due to payments totaling \$4,871,657 made to United Nations agencies, funds and programmes to transfer and implement programmatic activities relating to the Mission's scheduled closure, and obligations to vendors that were paid subsequent to the audit.*

4. Comments provided by UNAMID are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess the adequacy and effectiveness of controls in ensuring the validity and timely settlement of accounts receivable and payable in UNAMID.
6. This audit was included in the 2019 risk-based work plan of OIOS due to financial risk, and at the request of the UNAMID management in preparation of the Mission's closure.
7. OIOS conducted this audit from April to September 2019. The audit covered the period from 1 July 2017 to 31 August 2019. Based on an activity-level risk assessment, the audit covered higher and medium risk areas, which included amounts due from non-UNAMID entities and staff, collection and write-off of accounts receivable and settlement of accounts payable.
8. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, (c) analytical reviews of data, and (d) sample testing of transactions.

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

III. AUDIT RESULTS

A. Accounts receivable due from non-UNAMID entities

Efforts were being made over the management of accounts receivable for services provided to third parties on a cost-recovery basis

10. UNAMID provided accommodation, medical services, travel on UNAMID flights and use of mechanical handling equipment to non-UNAMID personnel and entities (United Nations agencies staff and contractors' personnel) on a cost recovery basis. OIOS noted that:

- For accommodation, a review of 60 of 1,000 transactions showed that UNAMID had difficulty in providing the related supporting documents to substantiate the validity of transactions for which 33 of them related to amounts received in cash. This was because of lack of regular reconciliation of occupancy reports against Umoja records and poor record management. During the audit, the Facilities Management Unit (FMU) and BFS improved their record management and started conducting regular reconciliation of occupancy reports against Umoja records to ensure charges related to accommodations provided to non-UNAMID personnel were reimbursed.
- For medical services, a review of 60 of 380 cases of treatment at the Mission's level-one hospital in El Fasher noted that 7 of them belonging to International Non-Governmental Organizations (INGOs) had been charged administrative fees of 7 per cent instead of the agreed 14 per cent. The amount involved was not significant. This resulted due to oversight by responsible Medical Section staff. UNAMID took note of the error and provided assurance that going forward the correct administrative fee would be charged.
- For use of UNAMID aircraft, a review of 60 of 1,800 non-UNAMID passengers showed that for nine passengers' amounts were correctly recorded as accounts receivable and collected, and for 14 passengers, no reimbursement was necessary as their travel supported the implementation of the UNAMID mandate. However, for the remaining 37 cases (seven UNAMID contractors' personnel and 30 personnel of United Nations agencies and INGOs) charges due had not been recorded as accounts receivable to ensure follow-up for reimbursement. The Mission clarified that these travels were to support mandate implementation, but due to an oversight it had not clearly justified this in the movement of personnel form. To address this, the Mission issued a memorandum to those sections/units sponsoring activities to ensure established procedures were complied with.
- For use of mechanical handling equipment, a review of 58 task orders showed that in two cases, the cost was not recovered from the third-party logistics contractor. The unrecovered amount for the two cases was minimal but could increase during the upcoming drawdown and closure of the Mission. To address this, the Mission recently established a procedure to guide responsible staff in the cost recovery process on the use of mechanical handling equipment.

11. While efforts had been made by UNAMID to address the issues identified by the audit, there was an opportunity for the Mission to be more proactive in ensuring technical units and the Contracts Management Unit (CMU) prepare and submit their monthly reports on cost recovery activities from non-Mission entities and for the Mission to monitor the receipt of them to ensure amounts are recovered in a timely manner. UNAMID provided evidence to OIOS that it was taking action to ensure monthly reports

were prepared and submitted by technical units to CMU, and CMU was following up to ensure their compliance. Based on this, OIOS did not make a recommendation.

B. Accounts receivable due from staff

Actions were being taken to improve processing of accounts receivable due from staff

12. UNAMID is required to accurately capture and record accounts receivables due from staff arising from travel advances, rental deductions and liberty mileage charges. An analysis of all travel advances paid to staff for official business, rest and recuperation and other travel showed that there were 38 duplicate trips created in Umoja totaling \$54,392. An OIOS audit of travel processing at RSCE (Report 2018/071) already identified this as an issue and made a recommendation to prevent reoccurrence of creating duplicate trips in Umoja. Relating to the cases identified by OIOS, UNAMID took action to recover duplicate advances paid to staff.

13. For accommodation charges, a review of 60 of 680 international staff records noted three exceptions totaling \$5,760 where amounts were not deducted. This was because the Human Resources Section (HRS) deactivated the rental deduction in Umoja for three staff that were reassigned to a different sector but did not activate it upon their arrival. HRS corrected this and was also reviewing all staff reassignments to identify any other oversights.

14. UNAMID staff working in Khartoum were authorized to use UNAMID vehicles for personal use and were charged the cost of liberty mileage. OIOS review noted that although the Transport Section had recorded liberty mileage costs to be recovered from staff under accounts receivable, due to an oversight, amounts had not been collected from January to June 2018 and for the month of August 2018 totaling \$2,392. Also, since November 2018 liberty mileage had not been recorded as accounts receivable for collection as the Transport Section was unable to generate liberty mileage usage reports due to a technical problem. In November 2019, the technical problem was resolved, and the Transport Section started generating liberty mileage reports and initiated a project to collect backdated liberty mileage used and expected this to be complete by mid-December 2019.

C. Collection and settlement of accounts receivable and payable

Need to expedite collection and settlement of long outstanding accounts receivable and payable

15. The service level agreement between UNAMID and RSCE provides that RSCE administers: (a) collection of receivables from staff, uniformed personnel and vendors and UNAMID collects amounts due from United Nations agencies and governmental entities; and (b) accounts payable based on inputs provided by the Mission, as needed.

(a) Accounts receivable

16. The balance of UNAMID accounts receivable as at 31 August 2019 was \$3,556,817. OIOS review of \$762,208 (21 per cent) showed that they were valid, but the recovery process was slow, as shown in Table 2.

Table 2:
Accounts receivable aging as at 31 August 2019 (in \$)

	<i>Due for more than 1 year</i>	<i>Due for 6-12 months</i>	<i>Due for 3-6 months</i>	<i>Due for <=3 months</i>	<i>Total</i>
Staff and uniformed personnel	279,581	743,392	331,538	1,316,991	2,671,502
UN agencies	1,126	562	1,770	56,666	60,123
Government (including embassies)	81,522	163,766	60,268	36,418	341,974
NGOs	67,643	3,408	41,100	256,991	369,142
Vendors		6,495	40,717	66,864	114,076
Total	429,872	917,623	475,392	1,733,930	3,556,817

Source: UNAMID BFS records

17. OIOS noted the efforts being made such as: (a) UNAMID repeatedly following up on amounts due from an embassy and the African Union; and (b) RSCE, for amounts due from uniformed personnel, contacting their countries' permanent missions to the United Nations for their assistance in collection. Additionally, during the audit period, UNAMID and RSCE processed write-off of 107 accounts with long outstanding balances totaling \$230,000 that reasonable collection efforts had failed to produce positive results. OIOS review noted that the write-offs were properly supported and in accordance with delegated authority from the United Nations Controller to the Director of Mission Support to approve the write-off of low value accounts receivable of up to \$5,000.

18. However, despite their efforts, only \$231,236 and \$108,299 (54 and 12 per cent) of the amounts outstanding for more than one year and six months respectively have been collected as at 15 December 2019. Amounts to be recovered included those from 70 staff accounts that had been outstanding for over 2 years with amounts due ranging from \$100 to \$6,500 and totaling \$93,446. Considering the passage of time, and the current stage in the life of the Mission, there is a risk that these amounts will not be recovered. Therefore, sustained efforts need to continue and/or consideration given to write off amounts, if repeated collection efforts have not been successful.

(b) Accounts payable

19. UNAMID had a total of \$9,125,146 of accounts payable in 1,172 accounts as at 31 August 2019 as shown in Table 3. OIOS review of accounts payable totaling \$7,342,831 showed that they were valid and related to goods and services provided to UNAMID.

Table 3:
UNAMID Accounts payable aging as at 31 August 2019 (In \$)

	<i>Due for more than 1 year</i>	<i>Due for 6-12 months</i>	<i>Due for 3-6 months</i>	<i>Due for <=3 months</i>	<i>Total</i>
Staff and uniformed personnel	369,192	185,785	146,728	718,880	1,420,585
UN agencies				4,871,657	4,871,657
NGOs			700	1,492	2,192
Vendors	87,981	18,163	1,260,516	1,304,904	2,671,565
Other	761		179	158,208	159,148
Total	457,934	203,949	1,408,123	7,055,141	9,125,146

Source: UNAMID Budget and Finance Section records

20. RSCE had a mechanism to monitor outstanding payables to vendors. For instance, RSCE: (a) paid about \$1.1 million to vendors in October 2019 reducing most outstanding balances to vendors; and (b) was following up to settle accounts payable to staff and uniformed personnel, despite in some cases facing challenges due to lack of valid contact information. Further efforts; however, were needed to clear payables. For example: out of the \$369,192 balance, outstanding for more than a year, \$176,067 related to repatriation credits owed to separated staff, with \$53,499 relating to balances outstanding for more than two years, which as per the Staff Regulations and Rule 3.19 are nullified if staff entitlements are not claimed within two years. Also, there were \$11,296 payable to four separated staff for more than five years, and consideration needed to be given to writing off these long outstanding accounts payable.

(1) UNAMID, in collaboration with the Regional Service Centre in Entebbe, should expedite collection and settlement of long outstanding accounts receivable and payable through follow-up where practical, and write-off those balances in which settlement is unlikely due to the passage of time.

UNAMID accepted recommendation 1 and stated that it would continue to work closely with RSCE to expedite the clearing of accounts payable and receivable, especially those outstanding for long time. The Mission has put in tremendous efforts to keep minimizing the balances. Recommendation 1 remains open pending receipt of evidence that balances of long outstanding accounts receivable and payable are substantially reduced.

IV. ACKNOWLEDGEMENT

21. 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) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATION

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

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMID, in collaboration with the Regional Service Centre in Entebbe, should expedite collection and settlement of long outstanding accounts receivable and payable through follow-up where practical, and write-off those balances in which settlement is unlikely due to the passage of time.	Important	O	Receipt of evidence that balances of long outstanding accounts receivable and payable are substantially reduced.	30 June 2020

¹ 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.

² 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.

³ C = closed, O = open

⁴ Date provided by UNAMID in response to recommendations.

Management Response

**Audit of Accounts Receivable and Payable in the African Union-United Nations Hybrid
Operation in Darfur**

APPENDIX I

Management Response

Management Response

Audit of Accounts Receivable and Payable in the African Union-United Nations Hybrid Operation in Darfur

AFRICAN UNION
الاتحاد الأفريقي



UNAMID



UNITED NATIONS
الأمم المتحدة

African Union – United Nations Hybrid Operation in Darfur

Office of the Joint Special Representative

12 December 2019

To: Mr. Daeyoung Park
Chief
Peacekeeping Audit Service
Internal Audit Division, OIOS

From: *for* Jeremiah Mamabolo *Jeremiah Mamabolo*
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. AP2019/634/02)

1. With reference to your memorandum dated 10 December 2019, on the captioned-subject, please find attached UNAMID response (Appendix I) to the draft report for your consideration.

Thank you.

cc: Mr. Prem Singh, Officer-in-Charge, Director of Mission Support, UNAMID
Ms. Campbell Bright, Chief, Supply Chain Management Section, UNAMID
Mr. Michael Tarallo, Chief, Operations and Resources Management, UNAMID
Mr. Asim Warraich, Officer-in-Charge, Service Delivery Service, UNAMID
Ms. Florence Ndungu, Senior Administrative Officer, UNAMID
Mr. Sajjad Malik, Officer-in-Charge, Budget and Finance Section, UNAMID
Mr. Samuel Kiiru, Chief, Risk Management and Compliance Unit, UNAMID
Mr. Alexandre Etocke, Chief Resident Auditor, Internal Audit Division, OIOS, UNAMID
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

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, in collaboration with Regional Service Center in Entebbe, should expedite collection and settlement of long outstanding accounts receivable and payable, through follow-ups and write-off of uncollectible receivables and credits to its former staff that are no longer payable.	Important	Yes	Officer in Charge Budget and Finance Section	30 June 2020	UNAMID takes note of the OIOS comments and recommendations and will continue to work closely with Regional Service Center in Entebbe (RSCE) to expedite the process of clearing accounts payable and receivable, especially those that have been outstanding for a long time. The Mission has put in tremendous efforts to keep minimizing the balances of these accounts assigned to the Mission as indicated in the service level agreement between UNAMID and RSCE. Budget and Finance Section will engage with RSCE on the clearing of the accounts under RSCE responsibility so that necessary actions to address the same are taken in timely manner.

⁵ 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.

⁶ 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.