



INTERNAL AUDIT DIVISION

REPORT 2021/082

Audit of accounts receivable and accounts payable at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

Internal controls over management of accounts receivable and accounts payable needed to be strengthened

**29 December 2021
Assignment No. AA2021-210-02**

Audit of accounts receivable and accounts payable at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and accounts payable at the United Nations Office at Nairobi (UNON), the United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring efficiency and effectiveness in the management of accounts receivable and accounts payable at UNON, UNEP and UN-Habitat. The audit covered the period from 1 January 2019 to 30 June 2021 and included a review of: (a) policies and procedures; (b) management of accounts receivable; (c) management of accounts payable; and (d) monitoring and reporting.

The audit showed that internal controls over management of accounts receivable and accounts payable needed to be strengthened.

OIOS made 10 recommendations. To address the issues identified in the audit:

- UNON needed to update the standard operating procedures on management of accounts receivable and payable.
- UNON needed to review and clear the long outstanding sales orders in Umoja.
- UNON and UN-Habitat needed to strengthen controls over the write-off of receivables.
- UNON needed to take measures to ensure timely processing of invoices to avoid misstatement and delays in settlement of accounts payable.
- UNON, UNEP and UN-Habitat needed to review the outstanding value added tax transactions and take corrective action.
- UNON needed to remind the processors and final approvers of transactions in Umoja to ensure the completeness of supporting documentation and description of transactions in the system.

UNON, in coordination with UNEP and UN-Habitat, needed to:

- Develop and implement an action plan for regular review and resolution of long outstanding accounts payable.
- Review the reasons for the high number of returned payments and take appropriate corrective action in a timely manner.
- Review the blocked accounts payable transactions in Umoja and take appropriate corrective action on a regular basis.
- Address the underlying reasons for the delays in the certification and processing of vendor payments to improve their timeliness.

UNON, UNEP and UN-Habitat accepted the recommendations and have undertaken to implement them. Actions needed to close the recommendations are indicated in Annex I.

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Audit of accounts receivable and accounts payable at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of accounts receivable and accounts payable at the United Nations Office at Nairobi (UNON), the United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat).
2. Accounts receivable refer to amounts due to be received for goods sold or services rendered, or amounts due under contractual obligations. Accounts receivable are broadly classified as contributions receivable and other receivables. Contributions receivable include uncollected revenue from assessed and voluntary contributions committed to the United Nations Secretariat entities by Member States and donors. Other receivables primarily include amounts receivable for goods or services provided to other entities, amounts receivable for operating lease arrangements, loans and advances to staff, and inter-fund balances.
3. Accounts payable refer to amounts owed on account of goods purchased or services received, or amounts payable under contractual obligations. Accounts payable and accrued liabilities arise from the purchase of goods and services that have been received but not paid for as at the reporting date. Accounts payable and accrued liabilities include: regular claims payable; credits returned to Member States; vendor payables; and non-benefit staff payables. Accruals for goods and services include accruals towards rent, operating leases, telephone expenses, electricity expenses and water bills.
4. UNON's Budget and Financial Management Service (BFMS) is responsible for managing the financial resources of, and for the provision of financial and accounting services to, UNON and its clients including UNEP and UN-Habitat. The services provided include: (a) billing of receivables; (b) analysis and reconciliation of accounts receivable; (c) follow-up with clients for outstanding payments; (d) monthly reporting of receivables; (e) processing of write-off and write-down cases; (f) grants management billings and receivables; and (h) treasury services that include processing of payments and reconciliations.
5. Accounts receivable and payable processes are guided by the United Nations Financial Regulations and Rules, the United Nations International Public Sector Accounting Standards (IPSAS) Accounting Manual and other IPSAS guidance, the United Nations Finance and Budget Manual, and the United Nations Procurement Manual. The related processes in Umoja are guided by various Umoja job aids.
6. As of December 2020, the accounts payable and accounts receivable balances for UNEP, UN-Habitat and UNON, in comparison with their revenue and expenses of the year, were as shown in Table 1.

Table 1: Accounts receivable and accounts payable as of December 2020 in \$'000

Entity	Accounts receivable (\$)	Revenue (\$)	Accounts payable and accrued liabilities (\$)	Expenses (\$)
UNEP	988,774	795,829	20,967	516,609
UN-Habitat	234,453	194,107	12,468	150,858
UNON	11,218	59,965	16,244	103,778

7. Comments provided by UNON, UNEP and UN-Habitat are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring efficiency and effectiveness in the management of accounts receivable and accounts payable at UNON, UNEP and UN-Habitat.

9. This audit was included in the 2021 risk-based work plan of OIOS due to operational and financial risks associated with processing and settlement of accounts receivable and payable.

10. OIOS conducted this audit from September to November 2021. The audit covered the period from 1 January 2019 to 30 June 2021. Based on an activity-level risk assessment, the audit covered higher and medium risks areas relating to: (a) policies and procedures; (b) management of accounts receivable; (c) management of accounts payable; and (d) monitoring and reporting.

11. The audit methodology included: (a) interviews with key personnel; (b) review of financial records and relevant documentation; (c) analytical review of data; and (d) sample testing of transactions.

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

III. AUDIT RESULTS

A. Policies and procedures

Need to update standard operating procedures and define key quality control measures

13. Standard operating procedures (SOPs) provide detailed instructions for completing a certain routine operation. The general purpose of SOPs is to ensure uniformity of performance and quality, in accordance with the laid down policies, regulations, and rules. UNON and UNEP had issued 10 and 2 SOPs, respectively, on management of accounts receivable and payable relating to billing and invoicing, payments, reconciliation, open items, write-offs, and write-downs. The SOPs issued by UNON cover joint procedures of UNON, UNEP and UN-Habitat.

14. OIOS' review of these SOPs showed that there was need to update them to include reporting or quality control requirements, and to add reference to the Department of Management Strategy, Policy and Compliance (DMSPC) guidance, Umoja process user guides, and specific timelines. Some additional SOPs were required to describe the formal procedures for collection of accounts receivable, write-offs and write-downs, and Value Added Tax (VAT) transactions.

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| <p>(1) UNON should update the standard operating procedures on management of accounts receivable and payable by: (a) complementing the existing standard operating procedures with reference to United Nations guidance; and (b) defining relevant key quality control measures.</p> |
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<p><i>UNON and UN-Habitat accepted recommendation 1. UN-Habitat stated that it will collaborate with UNON as it leads the implementation of the recommendation.</i></p>

B. Management of accounts receivable

Need to address long outstanding receivables

15. UNON, in collaboration with UNEP and UN-Habitat, are expected to identify and clear outstanding accounts receivables. As of 14 October 2021, a total of \$803.9 million (\$666 million for UNEP, \$136.7 million for UN-Habitat, and \$1.2 million for UNON) was outstanding past their due dates as accounts receivable in Umoja, comprising of 3,539 items. This included \$291.8 million (\$257.8 million for UNEP and \$34 million for UN-Habitat) that was outstanding from prior to 2019.

16. OIOS' review of a sample of 192 transactions totaling \$58.9 million (\$49.4 million for UNEP, \$9.5 million for UN-Habitat and \$18,437 for UNON) indicated that the accounts receivable were outstanding for various reasons including: (i) transactions pending write-down; (ii) assessed contributions relating to Multilateral Environmental Agreements (MEAs) that can only be written off by decisions of the Parties to the Conventions; (iii) expenditures not yet cleared by donors for settlement; (iv) errors in billing and processing; (v) mismatch between payment schedules and donors' financial year; and (vi) challenges in collecting receivables due to the COVID-19 pandemic.

17. UNEP explained that its accounts receivables validation exercise as of 15 November 2021 revealed that \$47.7 million of the \$49.4 million (97 per cent) were valid (recoverable) receivables and expected them to be collected by normal procedures (not by write-off, write-down or notional claim).

18. A previous OIOS audit (Report 2020/018) on grants management at UNON, UNEP and UN-Habitat had recommended that UNEP and UN-Habitat, in coordination with UNON, should define the specific actions to take for long overdue receivables. At the time of the present audit, UNEP had implemented the recommendation and was seeking to make further improvements in the process. UN-Habitat was yet to implement it.

Need to address incomplete open sales orders and billings

19. UNON BFMS processes sales orders based on the various inputs received from internal clients. This includes review of supporting documentation to ensure their correctness and completeness in accordance with the guidance provided in a related Umoja job aid.

20. As of 8 October 2021, Umoja data on sales orders indicated the following:

(a) UNON had 651 sales orders (98 under process; 29 not delivered; 518 open; and 6 partially delivered). Reasons for keeping 484 sales orders open (including 123 dating back to 2015) were unclear.

(b) 178 long outstanding billing documents (85 relating to UNEP, 67 relating to UN-Habitat and 26 relating to UNON) needed to be cancelled due to various reasons but they were still open. Reasons for keeping 72 other cases open were unclear.

(c) 58 cancelled billings or invoices still appeared with "open" status in Umoja due to incomplete document workflow (29 for UNEP, 18 for UN-Habitat and 11 for UNON).

21. Usually, a sales order remains open when it has not been processed successfully. UNON explained that most of the outstanding sales orders were erroneous and needed to be cancelled. UNON will request Headquarters' assistance where there are technical issues preventing their deletion. Further, UNON indicated that going forward, BFMS staff responsible for the receivable and billing process would ensure

that any unsuccessful billing documents are immediately cancelled, and the document flow is completed before processing replacement documents.

(2) UNON should review and clear the long outstanding sales orders in Umoja.

UNON and UN-Habitat accepted recommendation 2. UN-Habitat stated that it will collaborate with UNON as it reviews the long outstanding sales orders.

Need to comply with delegation of authority and ensure adequate documentation for write-off requests

22. Heads of entities have delegation of authority to write-off low-value receivables up to \$25,000 in respect of a single loss or a series of related losses. The Controller’s approval is required for write off values greater than \$25,000. Accounts receivable whose individual values are \$150 or less may be written off without collection efforts; where the individual values are greater than \$150 but less than \$25,000, such cases may be written off upon certification that reasonable collection efforts have failed to produce positive results, or that collection efforts would not be cost effective considering the receivable’s values. *UNON stated that the Secretariat’s working group for the revision of the delegation of authority instrument has agreed that the \$25,000 limit for write-off does not apply to entities who have the authority to certify their own financial statements, i.e. UNEP and UN-Habitat.*

23. UNON and UN-Habitat had not documented procedures for the write-off process; UNEP had issued a SOP in September 2021. During the period 1 January 2019 to 30 June 2021, 475 items valued at \$1.3 million were written off for UNEP, UN-Habitat and UNON as shown in Table 2.

Table 2: Accounts receivable write offs between 1 January 2019 and 30 June 2021

	2019 (\$)	2020 (\$)	2021 (\$)	Total (\$)
UN-Habitat	564,199	187,426	84,677	836,302
UNEP	224,789	66,418	136,705	427,911
UNON	22,425	6,592	(487)	28,530
Grand Total	811,413	260,436	220,895	1,292,743

Source: Umoja data on 13 October 2021

24. OIOS’ review of 65 write-offs involving \$1.14 million (UN-Habitat: \$794,663; UNEP: \$329,098 and UNON: \$16,502) indicated the following:

(a) There were two write-offs for UNEP amounting to \$189,631 and two write-offs for UN-Habitat amounting to \$215,942. UNEP explained that the two items amounting to \$189,631 were inadvertently converted to Umoja and processed as write-offs instead of write-downs and therefore, the use of the delegation of authority and approval from the Executive Director was not needed. UNEP has submitted an adjustment to correct the entries in Umoja. In addition, UNEP has since issued guidance on what constitutes write-offs, write-downs, and notional claims along with workflows and approval process. UNON stated that the UNEP amounts related to advances to an implementing partner as per the approval memo dated 27 November 2019. With regard to the amounts relating to UN-Habitat, UNON stated that the write-off was done in error and will be rectified going forward.

(b) 30 (15 for UN-Habitat and 15 for UNEP) out of 65 write off transactions totaling \$118,541 had approval memos but did not provide evidence of collection efforts. Reasons for the write-offs were given as: (i) past collection efforts could not be reliably established due to staff movements; (ii) lack of feedback on recovery efforts undertaken; and (iii) duplicate advances due to system errors.

25. The audit indicated significant control deficiencies in the write-off process which need to be addressed to minimize the risk of loss or abuse.

(3) UNON and UN-Habitat should strengthen controls over the write-off of receivables by ensuring that evidence of collection efforts or justification that collection efforts outweigh the benefits are clearly documented before submitting requests for write off.

UNON and UN-Habitat accepted recommendation 3.

C. Management of accounts payable

Need to ensure timely review and clearance of outstanding accounts payable

26. UNON, in coordination with UNEP and UN-Habitat, is required to regularly review and clear outstanding accounts payable in a timely manner.

27. OIOS' review of a sample of 64 open accounts payable totaling \$20.3 million that were outstanding as of 19 October 2021 (UNEP: \$19.9 million; UN-Habitat: \$118,940 and UNON: \$230,850) showed that the main reasons for the outstanding accounts payable were: (i) non-submission of expenditure reports by implementing partners who had been paid advances totaling \$18.7 million; (ii) delay in identification and correction of transaction processing errors totaling \$8,404; and (iv) duplicate posting of an invoice of \$31,000. Further, the payment date was incorrectly posted in Umoja for four transactions totaling \$10,972. For example, two transactions had an incorrect payment date of September 2201.

28. Although UNON subsequently cleared a significant number of accounts payable balances following the audit, there was still a need to review and address the remaining balances. For example, OIOS noted that accounts payable totaling \$14.2 million was outstanding in Umoja for 1,164 business partner accounts as of 30 November 2021. This included an amount of (\$160,930) which dated prior to 2019 – (\$141,822) for UNEP; (\$11,072) for UNON and (\$8,035) for UN-Habitat).

29. UNON stated that it had developed a grant monitoring dashboard to track open items. The UNON Treasury Unit was tasked to monitor open items as part of the weekly blocked payments review. However, there was need to strengthen coordination with UNEP and UN-Habitat to review the reasons for the long outstanding items, develop an action plan for settling them, and track the long outstanding items for appropriate resolution.

(4) UNON, in coordination with UNEP and UN-Habitat, should develop and implement an action plan for regular review and resolution of long outstanding accounts payable.

UNON, UNEP and UN-Habitat accepted recommendation 4. UN-Habitat stated that it will collaborate with UNON as they lead the implementation of this recommendation.

Need to ensure the accuracy of banking details prior to issuing payments

30. UNON's accounts payable processors are required to ensure the accuracy of banking information prior to releasing payments to business partners or vendors.

31. During the period 1 January 2019 to 28 September 2021, a total of 986 payments (UNEP: 669, UN-Habitat: 289, and UNON: 28) valued at \$24.6 million were returned by various banks. In 239 returned payments reviewed by OIOS involving \$13.6 million, the returns were due to: (i) mismatch of banking

details in Umoja and the beneficiaries' bank accounts; (ii) use of incorrect banking details such as wrong routing codes or currency of payment; and (iii) issuance of payments to beneficiary bank accounts that were either dormant or closed.

32. As of 15 November 2021, UNON had re-processed most of the returned payments except for 38 transactions valued at \$714,934.

33. The high number of payments released with incorrect banking details need to be addressed and minimized in future.

(5) UNON, in coordination with UNEP and UN-Habitat, should review the reasons for the high number of returned payments and take appropriate corrective action in a timely manner.

UNON, UNEP and UN-Habitat accepted recommendation 5. UNON stated that the risks of returned payments due to the mismatched banking details or wrong payment methods have been mitigated and reduced by the improvement of bank details request form. UNON BFMS SOP will be updated to reflect the improved quality assurance and control on bank details approval, payment parameters, and payment methods. UN-Habitat stated that it will collaborate with UNON in the implementation of the recommendation.

Need to review blocked accounts payable transactions in Umoja

34. Umoja includes a functionality that allows for associating accounts payable transactions with payment blocks codes to ensure that only transactions due are eventually released for payment. Some of the payment blocks are automatically triggered by the system, while others are manually processed by the accounts payable processors. The Finance Division of DMSPC has issued guidance for consistent use and regular review of accounts payable transactions with payment blocks codes. Also, UNON Treasury Unit was required to review accounts payable transactions with payment blocks on a weekly basis and coordinate with processors to ensure timely corrective action.

35. As of 17 November 2021, there were 2,321 blocked transactions in Umoja totaling \$21.9 million, including 321 transactions totaling \$1.4 million that were outstanding prior to 2019. OIOS' review of 50 transactions with a net credit total of \$554,519 (UNEP: \$576,857; UN-Habitat: \$13,966 and UNON: \$36,304) indicated that the transactions were blocked in Umoja for various reasons as follows:

- (a) Payroll transactions that needed to be paid or recovered from staff members, such as unaccounted for advances and amounts withheld prior to settlement of final dues;
- (b) Transactions with issues such as double payment, old documents inherited from the legacy system, currency mismatches between invoices, and discrepancy in vendor bank accounts;
- (c) Credit notes that needed to be offset against future payments; and
- (d) Amounts retained from vendors that were to be released after fulfillment of contractual obligations.

36. It is important for UNEP and UN-Habitat to expedite the review of payment blocks to ensure the validity and accuracy of accounts payable balances. For example, Umoja has the capability to automatically block duplicate invoices and identify transactions with missing banking details. However, this capability has not been fully utilized.

(6) UNON, in coordination with UNEP and UN-Habitat, should review the blocked accounts payable transactions in Umoja and take appropriate corrective action on a regular basis.

UNON, UNEP and UN-Habitat accepted recommendation 6. UNEP stated that it has appointed a focal point to investigate and clear blocked payments. The focal point is tasked with performing a weekly review of blocked payments reports produced by UNON. UN-Habitat stated that it will collaborate with UNON as it leads the implementation of the recommendation.

Need to ensure timely review and approval of invoices

37. Umoja functionality includes automated workflows to route invoices for review and approval. As of 29 October 2021, Umoja had 238 invoices totaling \$1.7 million which were yet to be reviewed/approved, including 69 invoices totaling \$258,974 that were outstanding since periods between 2015 and 2020. OIOS' review indicated that: (i) 44 invoices totaling \$234,875 were yet to be processed; and (ii) 62 invoices totaling \$470,424 were rejected and needed to be deleted for various reasons including duplicates. A total of 132 invoices totaling \$965,332 were reviewed and cleared during the audit.

38. Delays in review and approval of invoices led to misstated accounts payable balances and delays in their settlement.

(7) UNON should take measures to ensure timely processing of invoices to avoid misstatement and delays in settlement of accounts payable.

UNON and UN-Habitat accepted recommendation 7. UN-Habitat stated that it will collaborate with UNON as it leads the implementation of the recommendation.

Need to address long outstanding VAT transactions

39. As of 15 October 2021, there were 589 open VAT transactions valued at \$478,055 including \$24,717 that related to periods from 2013 to 2019. Reasons for long outstanding VAT items included: rejection of VAT refunds by the country authorities or awaiting their confirmation; transactions pending investigation; transactions where refunds were wrongly applied; and transactions pending recovery from vendors relating to duplicate payments. Although UNON, UNEP and UN-Habitat had identified the reasons for the long outstanding items, these items were yet to be cleared.

(8) UNON, UNEP and UN-Habitat should review the outstanding VAT transactions and take corrective action.

UNON, UNEP and UN-Habitat accepted recommendation 8. UNEP stated that it has appointed a focal point to work with UNON to review the outstanding VAT transactions and take corrective action. UN-Habitat stated that it will review the outstanding VAT transactions and take corrective action.

D. Monitoring and reporting

Need to ensure timely and efficient processing of vendor payments

40. The Procurement Manual requires payments for goods and services to be made within 30 days upon vendor's satisfactory completion of its delivery obligations. DMSPC maintained data on key performance indicators (KPI) on timely processing of vendor payments for all Secretariat entities.

41. Data in the management dashboard concerning timely payment to vendors (KPI 10) for the period January 2020 to September 2021 indicated that UNON, UNEP and UN-Habitat, on average, made timely payments only 33 per cent, 48 per cent, and 59 per cent of the time, respectively. The average time taken for making payments to vendors was 70 days for UNON, 101 days for UNEP, and 177 days for UN-Habitat. These processing times were far in excess of the prescribed 30 days. UNON explained that based on validated KPI data, UNON, UNEP and UN-Habitat, on average, made timely payments only 35 per cent, 47 per cent, and 52 per cent of the time, respectively. The average time taken for making payments to vendors was 70 days for UNON, 82 days for UNEP, and 120 days for UN-Habitat.

42. Lengthy vendor payments processing times were mainly due to significant delays in certifying invoices or expense reports. On average UNON, UNEP and UN-Habitat took 51, 61 and 133 days respectively to certify invoices or expenses for payment. UNON explained that based on validated KPI data, on average UNON, UNEP and UN-Habitat took 43, 51 and 85 days respectively to certify invoices or expenses for payment. Based on the KPI data, DMSPC requested the entities to review both the certification and payment processing practices to identify and address the bottlenecks.

(9) UNON, in collaboration with UNEP and UN-Habitat, should address the underlying reasons for the delays in the certification and processing of vendor payments to improve their timeliness.

UNON, UNEP and UN-Habitat accepted recommendation 9. UN-Habitat stated that it will collaborate with UNON as it leads the implementation of the recommendation.

Need to ensure adequate upload of attachments and completeness of text descriptions in Umoja

43. Umoja supports the uploading of scanned documents relating to each transaction in the system. This reduces the need for multiple copies and enables authorized staff to access the documents from any location. Staff members who process and approve the transaction are responsible for ensuring the completeness of the supporting documentation.

44. OIOS' review showed that the documentation uploaded in Umoja was incomplete for some accounts receivable and payable transactions. For example, some transactions pertaining to write-offs, write-downs, VAT, and vendor payments did not have the required documentation uploaded in Umoja, and the text describing the transaction was either missing or inadequate. Based on OIOS' observation, UNON, UNEP and UN-Habitat subsequently uploaded some of the supporting documentation in Umoja and added appropriate text to describe the transactions. However, the processors final approvers of transactions in Umoja need to be reminded of the need to upload the supporting documentation and include the text describing each transaction in the system.

(10) UNON should remind the processors and final approvers of transactions in Umoja to ensure the completeness of supporting documentation and description of transactions in the system.

UNON and UN-Habitat accepted recommendation 10. UN-Habitat stated that it will collaborate with UNON as it leads the implementation of the recommendation.

IV. ACKNOWLEDGEMENT

45. OIOS wishes to express its appreciation to the management and staff of UNON, UNEP and UN-Habitat 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 RECOMMENDATIONS

**Audit of accounts receivable and accounts payable at the United Nations Office at Nairobi,
the United Nations Environment Programme and the United Nations Human Settlements Programme**

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNON should update the standard operating procedures on management of accounts receivable and payable by: (a) complementing the existing standard operating procedures with reference to United Nations guidance; and (b) defining relevant key quality control measures.	Important	O	Receipt of updated SOPs on management of accounts receivable and payable that: (a) complement the existing SOPs with reference to United Nations guidance; and (b) define relevant key quality control measures.	30 June 2022
2	UNON should review and clear the long outstanding sales orders in Umoja.	Important	O	Receipt of evidence of actions taken to review and clear the long outstanding open sales orders and billings.	30 June 2022
3	UNON and UN-Habitat should strengthen controls over the write-off of receivables by ensuring that evidence of collection efforts or justification that collection efforts outweigh the benefits are clearly documented before submitting requests for write off.	Important	O	Receipt of evidence of adequate actions taken by UNON and UN-Habitat to strengthen the controls over the write-off of receivables.	30 June 2022
4	UNON, in coordination with UNEP and UN-Habitat, should develop and implement an action plan for regular review and resolution of long outstanding accounts payable	Important	O	Receipt of evidence that UNON, in coordination with UNEP and UN-Habitat, has developed and implemented an action plan for regular review and resolution of long outstanding accounts payable.	30 June 2022
5	UNON, in coordination with UNEP and UN-Habitat, should review the reasons for the high number of returned payments and take appropriate corrective action in a timely manner.	Important	O	Receipt of evidence of updated UNON BFMS SOP and actions taken by UNON, in coordination with UNEP and UN-Habitat to review the reasons for the high number of returned payments and appropriate corrective action taken.	30 June 2022
6	UNON, in coordination with UNEP and UN-Habitat, should review the blocked accounts payable transactions in Umoja and take appropriate corrective action on a regular basis.	Important	O	Receipt of evidence of actions taken by UNON, in coordination with UNEP and UN-Habitat to review and address blocked accounts payable transactions.	30 June 2022
7	UNON should take measures to ensure timely processing of invoices to avoid misstatement and delays in settlement of accounts payable	Important	O	Receipt of evidence of measures taken to ensure timely review and approval of invoices.	30 June 2022

STATUS OF AUDIT RECOMMENDATIONS

Audit of accounts receivable and accounts payable at the United Nations Office at Nairobi, the United Nations Environment Programme and the United Nations Human Settlements Programme

8	UNON, UNEP and UN-Habitat should review the outstanding VAT transactions and take corrective action.	Important	O	Receipt of evidence of actions taken by UNON, UNEP and UN-Habitat to review and address long outstanding VAT transactions.	30 June 2022
9	UNON, in collaboration with UNEP and UN-Habitat, should address the underlying reasons for the delays in the certification and processing of vendor payments to improve their timeliness.	Important	O	Receipt of evidence of actions taken by UNON, in collaboration with UNEP and UN-Habitat to review both the certification and payment processing practices to identify and address the bottlenecks in processing of vendor payments.	30 June 2022
10	UNON should remind the processors and final approvers of transactions in Umoja to ensure the completeness of supporting documentation and description of transactions in the system.	Important	O	Receipt of evidence that UNON BFMS SOPs are amended to specify the instructions to complete supporting documentation and description of transactions in Umoja system.	30 June 2022

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

³ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁴ Date provided by UNON, UNEP and UN-Habitat in response to recommendations.

APPENDIX I

Management Response

Management Response

**Audit of accounts receivable and accounts payable at the United Nations Office at Nairobi,
the United Nations Environment Programme and the United Nations Human Settlements Programme**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNON should update the standard operating procedures on management of accounts receivable and payable by: (a) complementing the existing standard operating procedures with reference to United Nations guidance; and (b) defining relevant key quality control measures.	Important	Yes	Chief of Accounts Section, BFMS	30 June 2022	
2	UNON should review and clear the long outstanding sales orders in Umoja.	Important	Yes	Chief of Accounts Section, BFMS	30 June 2022	
3	UNON, UNEP and UN-Habitat should strengthen the controls over the write-off of receivables by ensuring that: (a) the limits in the delegation of authority for approving write offs are strictly complied with; and (b) evidence of collection efforts or justification that collection efforts outweigh the benefits are clearly documented before submitting requests for write off.	Important	PARTIAL. Part a is not accepted. Part b is accepted	Chief of Accounts Section, BFMS	30 June 2022	Part a is not accepted as the UN Working Group for the revision of the DOA Instrument for Budget and Finance has agreed that the \$25K limit for write-off does not apply to the entities who have the authority to certify their own FS, i.e. UNEP and UN Habitat. Therefore, the Working Group has specified in the draft of the Revised DOA Instrument for Budget and Finance that the \$25K limit for write-off does not apply to the entities

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Management Response

**Audit of accounts receivable and accounts payable at the United Nations Office at Nairobi,
the United Nations Environment Programme and the United Nations Human Settlements Programme**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						who have the authority to certify their own FS.
4	UNON, in coordination with UNEP and UN-Habitat, should develop and implement an action plan for regular review and resolution of long outstanding accounts payable	Important	YES	Chief of Accounts Section, BFMS	30 June 2022	
5	UNON, in coordination with UNEP and UN-Habitat, should review the reasons for the high number of returned payments and take appropriate corrective action in a timely manner.	Important	YES	Chief of Accounts Section, BFMS	30 June 2022	UNON accepts the recommendation, and reiterates that the risks of returned payments due to the mismatched banking details or wrong payment methods have been mitigated and reduced by the improvement of bank details request form. UNON BFMS SOP will be updated to reflect the improved quality assurance and control on bank details approval, payment parameters, and payment methods.
6	UNON, in coordination with UNEP and UN-Habitat, should review the blocked accounts payable transactions in Umoja and take appropriate corrective action on a regular basis.	Important	YES	Chief of Accounts Section, BFMS	30 June 2022	
7	UNON should take measures to ensure timely processing of invoices to avoid misstatement and delays in settlement of accounts payable	Important	YES	Chief of Accounts Section, BFMS	30 June 2022	

Management Response

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
8	UNON, UNEP and UN-Habitat should review the outstanding VAT transactions and take corrective action.	Important	YES	Chief of Accounts Section, BFMS	30 June 2022	
9	UNON, in collaboration with UNEP and UN-Habitat, should address the underlying reasons for the delays in the certification and processing of vendor payments to improve their timeliness.	Important	YES	Chief of Accounts Section, BFMS	30 June 2022	
10	UNON should remind the processors and final approvers of transactions in Umoja to ensure the completeness of supporting documentation and description of transactions in the system.	Important	YES	Chief of Accounts Section, BFMS	30 June 2022	

Management Response

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the United Nations Environment Programme and the United Nations Human Settlements Programme**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNON should update the standard operating procedures on management of accounts receivable and payable by: (a) complementing the existing standard operating procedures with reference to United Nations guidance; and (b) defining relevant key quality control measures.	Important	N/A	N/A	N/A	N/A
2	UNON should review and clear the long outstanding sales orders in Umoja.	Important	N/A	N/A	N/A	N/A
3	UNON, UNEP and UN-Habitat should strengthen the controls over the write-off of receivables by ensuring that: (a) the limits in the delegation of authority for approving write offs are strictly complied with; and (b) evidence of collection efforts or justification that collection efforts outweigh the benefits are clearly documented before submitting requests for write off.	Important	No	N/A	N/A	UNEP notes the revised wording in paragraph 25 regarding the two specific cases. Since UNEP has established write-off procedures in 2021 and all write-off requests are being subjected to the procedures in line with the Delegation of Authority. This recommendation therefore does not apply to UNEP.
4	UNON, in coordination with UNEP and UN-Habitat, should develop and implement an action plan for regular review and resolution of long outstanding accounts payable	Important	Yes	Head, Financial Management Service Section, Corporate	30 June 2022	The report should specify the actions that each agency needs to take to close the recommendation.

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
				Service Division		
5	UNON, in coordination with UNEP and UN-Habitat, should review the reasons for the high number of returned payments and take appropriate corrective action in a timely manner.	Important	Yes	Head, Financial Management Service Section, Corporate Service Division	30 June 2022	The report should specify the actions that each agency needs to take to close the recommendation.
6	UNON, in coordination with UNEP and UN-Habitat, should review the blocked accounts payable transactions in Umoja and take appropriate corrective action on a regular basis.	Important	Yes	Head, Financial Management Service Section, Corporate Service Division	30 June 2022	UNEP has appointed a Focal Point to investigate and clear blocked payments. The Focal Point is tasked with performing a weekly review a blocked payments report produced by UNON.
7	UNON should take measures to ensure timely processing of invoices to avoid misstatement and delays in settlement of accounts payable	Important	N/A	N/A	N/A	N/A
8	UNON, UNEP and UN-Habitat should review the outstanding VAT transactions and take corrective action.	Important	Yes	Head, Financial Management Service Section, Corporate Service Division	30 June 2022	UNEP has appointed a focal point to work with UNON to review the outstanding VAT transactions and take corrective action

Management Response

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the United Nations Environment Programme and the United Nations Human Settlements Programme**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
9	UNON, in collaboration with UNEP and UN-Habitat, should address the underlying reasons for the delays in the certification and processing of vendor payments to improve their timeliness.	Important	Yes	Head, Financial Management Service Section, Corporate Service Division	30 June 2022	The report should specify the actions that each agency needs to take to close the recommendation.
10	UNON should remind the processors and final approvers of transactions in Umoja to ensure the completeness of supporting documentation and description of transactions in the system.	Important	N/A	N/A	N/A	N/A

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**Audit of accounts receivable and accounts payable at the United Nations Office at Nairobi,
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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNON should update the standard operating procedures on management of accounts receivable and payable by: (a) complementing the existing standard operating procedures with reference to United Nations guidance; and (b) defining relevant key quality control measures.	Important	Yes			<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. UN-Habitat will collaborate with UNON as they lead the implementation of this recommendation.
2	UNON should review and clear the long outstanding sales orders in Umoja.	Important	Yes			<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. UN-Habitat will collaborate with UNON as they review the long outstanding sales orders and lead the implementation of this recommendation.
3	UNON, UNEP and UN-Habitat should strengthen the controls over the write-off of receivables by ensuring that: (a) the limits in the delegation of authority for approving write offs are strictly complied with; and (b) evidence of collection efforts or justification that collection efforts outweigh the benefits are clearly documented before submitting requests for write off.	Important	<p>Partial</p> <ul style="list-style-type: none"> Part (a) is not accepted. Part (b) is accepted 	Chief, Finance and Budget Unit, MACS	30 June 2022	<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. Part a is not accepted as the UN Working Group for the revision of the DOA Instrument for Budget and Finance has agreed that the \$25K limit for write-off does not apply to the entities who have the authority to certify their own FS, i.e. UNEP and UN Habitat. Therefore, the Working Group has specified in the draft of the Revised DOA Instrument for

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Budget and Finance that the \$25K limit for write-off does not apply to the entities who have the authority to certify their own FS.
4	UNON, in coordination with UNEP and UN-Habitat, should develop and implement an action plan for regular review and resolution of long outstanding accounts payable	Important	YES			<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. UN-Habitat will collaborate with UNON as they lead the implementation of this recommendation.
5	UNON, in coordination with UNEP and UN-Habitat, should review the reasons for the high number of returned payments and take appropriate corrective action in a timely manner.	Important	YES			<ul style="list-style-type: none"> UN-Habitat has noted UNON reiteration that the risks of returned payments due to the mismatched banking details or wrong payment methods have been mitigated and reduced by the improvement of bank details request form and that UNON BFMS SOP will be updated to reflect the improved quality assurance and control on bank details approval, payment parameters, and payment methods. UN-Habitat will collaborate with UNON in the implementation of this recommendation.

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
6	UNON, in coordination with UNEP and UN-Habitat, should review the blocked accounts payable transactions in Umoja and take appropriate corrective action on a regular basis.	Important	YES			<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. UN-Habitat will collaborate with UNON as they lead the implementation of this recommendation.
7	UNON should take measures to ensure timely processing of invoices to avoid misstatement and delays in settlement of accounts payable	Important	YES			<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. UN-Habitat will collaborate with UNON as they lead the implementation of this recommendation.
8	UNON, UNEP and UN-Habitat should review the outstanding VAT transactions and take corrective action.	Important	YES	Chief, Finance and Budget Unit, MACS	30 June 2022	<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. UN-Habitat will review the outstanding VAT transactions by 30th June 2022 and take corrective action.
9	UNON, in collaboration with UNEP and UN-Habitat, should address the underlying reasons for the delays in the certification and processing of vendor payments to improve their timeliness.	Important	YES			<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. UN-Habitat will collaborate with UNON as they lead the implementation of this recommendation.
10	UNON should remind the processors and final approvers of transactions in Umoja to ensure the completeness of supporting documentation and description of transactions in the system.	Important	YES			<ul style="list-style-type: none"> UN-Habitat has noted this recommendation. UN-Habitat will collaborate with UNON as they lead the implementation of this recommendation.