



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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### **Financial aspects of the liquidation process of MINURCAT**

**Delays were noted in initiating critical tasks in  
the financial liquidation process**

**4 May 2011**

**Assignment No. AP2010/636/10**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES • BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION • DIVISION DE L'AUDIT INTERNE

TO: Mr. Aboubakrine Dieye, Acting Director of Mission  
A. Support and Liquidation Coordinator  
MINURCAT

DATE: 4 May 2011

REFERENCE: IAD: 11-00384

FROM: Fatoumata Ndiaye, Director  
DE: Internal Audit Division, OIOS

*Fatoumata*

SUBJECT: **Assignment No. AP2010/636/10 – Audit of financial aspects of the liquidation process**

OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on the comments received during and after the audit, no recommendations have been made.

cc: Mr. James Mutiso, Director, Field Budget and Finance Division, DFS  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit  
Mr. Seth Adza, Chief, Audit Response Team, DFS  
Mr. Mario Baez, Chief Policy and Oversight Coordination Service, DM  
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS  
Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, OIOS  
Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS

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## INTERNAL AUDIT DIVISION

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### **FUNCTION**

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

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## **EXECUTIVE SUMMARY**

### **Audit of financial aspects of the liquidation process of MINURCAT**

The Office of Internal Oversight Services (OIOS) conducted an audit of the financial aspects of the liquidation process of the United Nations Mission in Central African Republic and Chad (MINURCAT). The overall objective of the audit was to assess whether adequate internal controls were in place and implemented to ensure that the liquidation process was carried out efficiently and effectively. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The following areas were affected by delays in the initial planning and scheduling of tasks: (a) notifying local contractors, vendors and suppliers in order to settle claims; (b) reconciling and paying of staff entitlements; and (c) following-up and clearing of receivables and payables.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the financial aspects of the liquidation process of the United Nations Mission in Central African Republic and Chad (MINURCAT). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. MINURCAT was established under Security Council resolution 1778 of 25 September 2007. However, by resolution 1923 of 25 May 2010, the Security Council terminated MINURCAT's mandate, effective 31 December 2010. The Mission moved into a period of liquidation as of 1 January 2011.
3. The Mission's liquidation process was managed by the Acting Director of Mission Support and Liquidation Coordinator (DMS/LC). Under his direction, the Finance Section through the Chief of Administrative Services is responsible for ensuring that the financial aspects of the liquidation are completed within an established timeframe. The Finance Section was headed by a Chief of Section at P-4 level. On 21 October 2010, the Office of the Field Budget and Finance Division (FBFD), DFS issued a Financial Directive to the Mission, providing guidance on the financial activities to be performed by the Mission, as part of the ongoing drawdown of the Mission and its liquidation.
4. The Mission had an allotment of \$225.8 million for the period 1 July 2010 to 30 June 2011. As at 31 October 2010, expenditures including outstanding obligations totaled \$69.52 million, and receivables and payables totaled \$2.87 million and \$5.13 million respectively.
5. Comments made by MINURCAT are shown in *italics*.

## II. AUDIT OBJECTIVES

6. The main objective of the audit was to assess whether internal controls were in place and implemented to ensure that the liquidation process was carried out efficiently and effectively.

## III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered the period from 31 October 2010 to mid-March 2011 and the liquidation process including clearing of receivables and payables and settlement of final payments.
  8. The audit process involved discussions with key personnel in the Finance Section and the DMS/LC, and a review of selected documents and analysis of data. Controls tested were documented in the United Nations Department of Peacekeeping Operations (DPKO) Liquidation Manual, the United Nations Field Finance Procedure Guidelines.
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## IV. AUDIT RESULTS

### A. Planning for financial activities

#### Assigning responsibility and establishing target dates for financial activities

9. The DFS Field Finance Procedure Guidelines and DPKO's Liquidation Manual provide guidance on the financial procedures that need to be implemented during the liquidation phase. In accordance with the guidelines, MINURCAT needed to produce a plan listing the key activities and procedures to be performed for each of its functions including those of the Finance Section.

10. At the time of the audit, apart from additional instructions provided by the FBFD in January 2011, MINURCAT's Finance Section had not developed an implementation plan. Therefore, more than one month into the liquidation period, tasks had not been assigned to responsible individuals. This was impacting on the ability of the Mission to complete important financial tasks in a timely manner. In an observation dated 10 February 2011, OIOS therefore recommended that the Mission ensure that responsibilities were assigned and disseminated to the heads of Finance Units and staff in the Finance Section.

11. The Mission stated that the programme of work prepared by DFS in January 2011 was discussed and updated by the Finance Section to reflect activities, challenges, milestones and progress. Major milestones such as the closing of local banks had been done. Also, weekly progress reports were prepared and shared with staff and submitted to DFS. As of 8 March 2011, a detailed implementation plan was prepared by the Finance Section.

#### Payment of local contractors, vendors and suppliers

12. The DFS Field Finance Procedure Guidelines requires all local contractors, vendors and suppliers to be paid in full prior to the closure of the Mission. Notices should be placed in local newspapers giving notification that the Mission is closing and stating that it will not honour invoices after a specified published date. FBFD recommended that the cut-off date for submission of invoices be 15 March 2011 to allow sufficient time for the Finance Section to process invoices.

13. The Mission was delayed in placing adverts in local newspapers. It was only done on 2 March 2011. However, the Mission informed OIOS that they still expected all claims to be submitted by 14 March 2011. Considering the timeframe provided to vendors, suppliers and others to submit their claims, a risk remained that all claims would not be submitted in within the required deadline. OIOS will follow-up on this issue as part of a future audit of the completion of MINURCAT's liquidation.

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## **B. Staff entitlements, receivables and payables**

### Reconciliation and payment of staff entitlements

14. There were a number of errors and anomalies in the payment of staff entitlements that should have been addressed during the liquidation period. These included:

- Some personnel assigned to the Mission were not paid their assignment grant.
- Some personnel were reassigned to other duty stations within the Mission area, and did not receive their full entitlements.
- From 1 July 2010, the Mission issued one year contracts to all staff even though the Mission was closing. As a result, some personnel assigned on or after 1 July 2010 were paid the full assignment grant.

15. OIOS noted over- and under-payment of entitlements, creating the obligation to accrue for those underpaid and recover overpayments. While some staff had been assigned to other missions, OIOS identified cases where incorrect payments were also made to separated staff.

16. As at 1 March 2011, MINURCAT was not able to provide a complete list of staff assigned to, from and within MINURCAT due to the lack of records relating to staff movements. Therefore, this work still needed to be done. An officer from the Field Personnel Division, DFS was deployed to the Mission in mid-March 2011 to assist in this matter, and it was expected that this would be resolved and completed by 30 April 2011, and then be submitted to the Liquidation Unit, DFS for the finalizing of payments/recoveries. OIOS will follow-up on this issue as part of a future audit of the completion of MINURCAT's liquidation.

### Monitoring of overtime claims

17. Staff members in the General Service, Security Service or Trade and Crafts category, or in the Field Service category up to and including the level of FS-5, who are required to work in excess of the working week are entitled to compensatory time off (CTO) or may receive additional payment, under certain conditions. The relevant policy guideline provides restrictions on the use of overtime and places the onus on the DMS to ensure that appropriate mechanisms are in place to control and monitor it.

18. From inception of the Mission until to June 2010, a decision was made by Management, mainly due to budgetary constraints, that no overtime would be paid. Also, due to exigencies of duty, CTO granted was limited. Consequently, overtime worked was generally not monitored or approved beforehand. However, after significant discontent expressed by national staff including threats to take strike action, and after discussions with the Special Representative of the

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Secretary-General through the national staff union, Management decided that staff should be entitled to CTO and/or payment for the additional hours worked. It was decided to retrospectively approve overtime claims by national staff and effect payment. Therefore, the Mission allowed for post facto certification by the staff member and approval by the supervisor. This resulted in a number of challenges, as some supervisors had left the Mission during the drawdown period.

19. As at 28 February 2011, over 500 claims amounting to 20,000 hours (with an estimated cost of \$160,000) of overtime was submitted for retroactive payment. More claims were expected to be submitted. OIOS' review of claims noted that some were unreasonable and unrealistic. For example, 20 individuals were claiming over 100 hours in one month and there were other submitting claims of working 10 hours overtime in one day. These claims were approved by supervisors even though Mission Management had limited the maximum payable hours to 40 per month per claimant. Therefore, all approvals of overtime above 40 hours per month needed to be carefully reviewed to ensure that there was a true exigency, it was reasonable, compliant with MINURCAT's guidelines, and properly documented as part of the certification and approval process. The Mission confirmed that it had reviewed all incoming cases and retroactive payments were made accordingly.

#### Review and analysis of receivables and payables

20. As at end of February 2011, the Mission's accounts recorded receivables of about \$3.9 million and payables of about \$4.2 million. The receivables comprised: (a) 69 per cent Inter Office Billings; (b) 17 per cent for vendors; and (c) 14 per cent receivables from Mission staff. The payables comprised: (a) 80 per cent for vendor retentions; and (b) staff deductions pending final clearance.

21. Throughout the year, it is normal practice to continuously review and analyze receivables to ensure that prompt action is taken to clear balances. Also, in cases when balances are determined as non-recoverable, approval for write-off should be sought. In the case of credit balances, the Mission is also required to periodically follow-up, with the aim to clear them when possible. In case of withheld allowances, the forwarding addresses and bank details of departing personnel should have been provided to the Mission to allow any withheld amounts to be duly settled.

22. Procedures had not been put in place to continuously review receivables and payables accounts. As at end of February 2011, receivables totaling \$67,600 (representing less than two per cent of the total receivables) had been reviewed and followed-up. There had been no review of accounts payables. Management confirmed that it was unlikely to complete this work prior to the end of the liquidation phase, citing resource constraints. Based on OIOS' suggestion to develop a contingency plan on how to address this issue, the Mission stated that after an assessment of the outstanding work, a plan assigning responsibilities in the interim period, as well as activities that will need to be handed over to DFS was prepared to ensure a smooth and responsible transition to the DFS

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Liquidation Unit. OIOS will follow-up on this issue as part of a future audit of the completion of MINURCAT's liquidation.

### **C. Miscellaneous matters**

#### Cases of attempted or presumptive fraud

23. On an annual basis, the Controller informs the DMS on procedures to be followed in cases of fraud or presumptive fraud involving the improper use of United Nations funds.

24. OIOS noted two cases of presumptive fraud that should have been formally reported to the Controller. The cases, which allegedly involved the same staff member, were reported to the Special Investigations Unit of MINURCAT. In both cases, it was the bank that identified the potential fraud, showing that the Mission's internal controls were not adequate to ensure such transactions were detected.

## **V. ACKNOWLEDGEMENT**

25. We wish to express our appreciation to the Management and staff of MINURCAT for the assistance and cooperation extended to the auditors during this assignment.

## ANNEX 2

*Use this page if the orientation of Annex 2 is portrait. If the orientation is landscape, insert a section break at the end of Annex 1 and continue on the new page. (On the **Insert** menu, point to **Break**, select **Next page** under **Section break types**.) Leave the page blank if not required; do not delete it.*