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CM/1684 ( LV)

BUDGET CONTROL REPORT ON THE OAU PERMANENT DELEGATION  
TO THE UNITED NATIONS GENEVA FOR TWELVE MONTHS' PERIOD  
ENDED 31st MAY 1991

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INTRODUCTION

Terms of Reference

In accordance with Articles 52 and 53 of the Financial Rules and Regulations of the Organization of African Unity, the Secretary General authorized the Head of Budget Control Division to make on-the-spot audit of the OAU Permanent Delegation to the UN in Geneva. The exercise was carried out from 24th to 29th June in the presence of the Executive Secretary, Assistant Executive Secretaries and Finance Officer.

Purpose and Scope of Audit

2. During the audit visit several books of accounts and other accounting records were examined and discussions were held with several officials to determine whether the management at the OAU Permanent Delegation to the UN in Geneva was maintaining sound systems of internal accounting and administrative controls which provided assurance that:

- a) Expenditures incurred were in compliance with the applicable rules and regulations of the Organization of African Unity;
- b) Funds, property, and other assets were safeguarded against waste, loss, unauthorized use or misappropriation; and
- c) Information contained in the accounting records and other data was reliable and sufficient from which sound financial statements could be prepared.

3. The audit findings and recommendations were developed and discussed with the Executive Secretary and his senior officials, and covered the following main areas:

- a) Follow-up on Audit Recommendations;
- b) Financial Function; and
- c) Administrative and other matters.

FOLLOW-UP ON AUDIT RECOMMENDATIONS

4. Follow-up on the audit findings and recommendations was carried out on the spot with the management of the OAU Permanent Delegation to the UN in Geneva and the implementation status of the recommendations was as follows:

RECOMMENDATIONS	ACTIONS
1. The Finance Officer should clear from the bank reconciliation statements - Two cheques issued on 12th September 1988 still outstanding on the accounts, since the cheques had been paid to American Life Insurance Company.	<u>Implemented:</u> The two cheques were cleared from the accounts in September 1990.
2. The Executive Secretary should forward to the Head of Personnel Division details of correct progressive salary scale of Mrs Mukayuki from 1st June 1987 to 1st June 1990 for regularization.	<u>Implemented:</u> The arrears of increment have been paid to Mrs Mary Muyango Mukayuki.

FINANCIAL FUNCTIONCondition of Accounting Records

5. The books of accounts and other accounting records were maintained in accordance with the OAU accounting practices but because of the problem of using the "in-house" exchange rates the final financial statements do not reflect fairly the financial transactions for the twelve months' period ended 31st May, 1991. Furthermore it was noted that:

- a) Accrual accounting system was not being used in place obligations;
- b) Salary in Advance Accounts (AR/1/1) were not in use; and
- c) More than one cheque were being issued to one payee at the same time.

6. For proper internal accounting control system , it is recommended that:

- a) Accrual accounting sytem should be operated, especially when preparing the final financial statements, and the extensive use of obligations should be stopped;
- b) Salaries and allowances for staff members proceeding on official mission or on annual/home leave before the pay-day should be paid as "salary in advance" (AR/1/1) which should be reflected and recovered in the payroll for the month concerned;
- c) The finance officer should always ensure that not more than one cheque are issued at the same time to one payee.

#### Financial Position

7. As it may be noted from Annex II attached, the financial position of the OAU Permanent Delegation in Geneva was, on the whole, satisfactory except on three occasions when its bank accounts were in the red on three occasions. As of 31st May 1991, the OAU Permanent Delegation in Geneva had a negative cash position of US\$ 40,787.87 made up as follows:

	US\$
US Dollar A/C N°264-719-60P (100)	403.62
Swiss Francs A/C N°264-719-00R (S.F. 61,628.17)	(41 528.42)
Petty Cash S.F. 500.00	336.93
	<hr/>
	US\$ (40 787.87) =====

#### Differences on Subventions Transferred and Received

8. During the period under reveiw the OAU General Secretariat, Addis Ababa transferred subventions totalling US\$ 1,407,948.13 to the OAU Office in Geneva but the amount recorded as subventions received by the office stood at US\$ 770,212.70 resulting in a difference of US\$ 637,735.43 made up as follows:

	Date of Transfer	Amount Transferred	Per Records at Addis Ababa	Per Records At Geneva	Difference
		In Swiss Franc	OAU HQs	Office	Between B and C
		A	B	C	D
		Swiss Francs	US\$	US\$	US\$
1st Subvention	June 1990	180 599.43	127 623.60	92 615.09	35 008.51
2nd Subvention	Sept. 1990	383 710.88	294 141.26	196 774.81	97 366.45
3rd Subvention	Dec. 1990	456 101.05	357 301.19	233 897.97	123 403 22
4th Subvention	March 1991	462 906.15	282 518.00	246 924.83	35 593.17
	May 1991	469 172.90	346 364.08*	-	346 364.08*
		1 952 489.91	1 407 948.13	770 212.10	637 735.43

\* The sum of US\$ 364 129.98 which includes the subvention figure of US\$346,364.08 transferred on 13 March 1991 by Chemical Bank, N.Y. has not been received by OAU Office in Geneva.

Accounting problems of using "in-house" instead of bank exchange rates

9. In February 1987 an administrative decision was made to have "in-house" exchange rate of 1 US\$ = 1.95 Swiss Franc at which the salaries of OAU Staff in Geneva were to be converted. In December 1990 this "in-house" exchange rate was raised to 1 US\$ = 2.50 S.Fr. The OAU General Secretariat, Addis Ababa has used these "in-house" exchange rates to determine the amounts in Swiss Francs to be transferred to the OAU Office in Geneva.

10. During the period under review the "in-house" exchange rates were far above the bank and the UN Operational exchange rates which averaged at 1 US\$ = 1.35 Swiss Francs (UN Operational Exchange rates from June 1990 to June 1991 are shown in Annex III attached). The use of "inhouse" exchange rates which were far above the bank exchange rates has created the following accounting problems:

- a) Less amounts have been recorded in the books of accounts than the amount actually received by the OAU Office in Geneva. This is illustrated in paragraph 8 above. For example, the sum of US\$ 1 061 584.05 was transferred by the OAU General Secretariat,

Addis Ababa but was recorded as US\$ 770,212.10 in the books of accounts of the OAU Office in Geneva. The difference of US\$291,371.95 is not accounted for anywhere.

- b) Ceilings set for car loans, education and housing allowances have been distorted and not respected. For example, in the case of car loan, one staff member, in October 1990, was paid 9,750.00 Swiss Francs but the amount charged to her account was US\$5,000.00 instead of US\$ 7,500.00. Similarly two staff members, in April and May 1991, were paid 23,000.00 Swiss Francs each but the amount charged to their individual car loan account was US\$ 10,000.00 instead of US\$ 15,862.06 and US\$ 15,436.24. As regards the ceilings of education allowance, one staff member, in May 1991, submitted an invoice from the school for the sum of 8,286.40 Swiss Francs. The sum of 8,286.40 Swiss Francs was paid to the school and the amount shown in the books of accounts is US\$3,602.78 instead of US\$ 6,524.72. The staff concerned had a credit balance of US\$ 2,702.08 and had been requested to refund the sum of US\$ 900.70 instead of US\$ 3,822.64.
- c) The figure for actual payments is far more than the figure recorded as actual expenditure incurred during the period under review.

#### Advances Recoverable

11. At the end of 1990/91 financial year the amount outstanding on the advances recoverable account stood at US\$ 182,760.49 broken down as follows:

	Salary Advance AR/1 US\$	Car Loan AR/2 US\$	Travel Advance AR/3 US\$	Misc. Advance AR/4 US\$	TOTAL US\$
Staff members	291.68	34 018.00	1 890.00	1 478.22	37 677.90
OAU General Secretariat	-	-	-	141 284.24	141 284.24
OAU Office in Brussels	-	-	-	3 798.35	3 798.35
<b>TOTAL US\$</b>	<b>291.68</b>	<b>34 018.00</b>	<b>1 890.00</b>	<b>146 560.81</b>	<b>182 760.49</b>

12. Most of the advances to staff members were granted and were being recovered in accordance with OAU rules and regulations but because of the accounting problems mentioned in para 10 above the amount under car loan has been understated. To ensure that staff members will repay the full amounts of car loan given to them it is recommended that appropriate accounting measures should be taken to recover in full the amounts of car loan given to the following three staff members:

<u>Name of Staff Member</u>	<u>Amount in</u>	
	<u>Swiss Francs</u>	<u>US\$</u>
Mr Dansoko Hamet	23 000.00	15 436.24
Mrs Tersit Akalework	23 000.00	15 862.06
Mrs Mary M. Mukayuki	9 750.00	7 500.00

13. The sum of US\$ 3 798.35 owed by the OAU Office in Brussels has been outstanding for more than twelve months it is, therefore, recommended that immediate steps should be taken to recover the amount.

#### Budget Performance

14. A total sum of US\$ 934,089.00 was originally approved by the Council of Ministers to meet the main requirements of the OAU Permanent Delegation to the United Nations in Geneva for the financial 1990/91. This figure of US\$ 934,089.00 was revised to US\$ 1,026,003.80 through the virements. As of 31 May 1991 a sum of US\$ 1,006,020.85 had been expended by the office. This figure represents 98% of US\$ 1,026,003.80, the revised appropriations for 1990/91 financial year, detailed analysis and breakdown of this financial position is provided in Annex I attached.

#### Over-expenditures

15. The management of the OAU Permanent Delegation to the UN in Geneva incurred expenditures within the limits of the revised appropriations except on the following expenditure codes:

A/C Code	Description	Revised Appropriation US\$	Expenditure US\$	Excess US\$	Consumed Percentage %
205	Housing Allowance	124 448.00	129 192.66	4 744.66	104%
208	OAU Medical Scheme	65 000.00	70 613.42	5 613.42	109%
500-504	Communications	17 885.65	23 524.94	5 639.29	132%

16. Virement request for US\$ 29 630.00 made under code 205 (Housing allowance) was not granted, while the virement of US\$ 2 385.65 was approved for codes 500-504 (Communications) instead of US\$ 10,000.00 requested for by the OAU General Secretariat. It was noted with concern that out of US\$23,524.94 incurred under codes 500-504 (communications), the sum of US\$12,939.16 was for code 501 (telephone and fax services). The figure of US\$ 12,939.16 is more than double the amount of US\$ 6,000.00 appropriated under code 501 (telephone and fax services). It is, therefore, recommended that the management of the OAU Permanent Delegation to the UN in Geneva should exercise more control over the use of telephone and fax services.

#### ADMINISTRATIVE AND OTHER MATTERS

##### Management of the OAU Assets

17. The physical inspection of the assets including the stores and vehicles which was carried out on the spot revealed that:

- a) Most of office furniture and equipment were in good condition;
- b) The representational car (the Mercedes Benz) was in good condition, but the more repair costs were incurred on the service vehicle; and
- c) There were several obsolete and unserviceable items in the stores.

18. For a better management of the OAU assets and taking into account the observations made above it is recommended that the Board of Survey should meet to consider the best way of disposing of the service car and the obsolete and unserviceable items in the stores.

MCOs to be accountyed for:

19. The examination of the payment vouchers revealed that Mr. A. Moukhtar was issued MCOs but his MCOs account (AR/5) was not debited with the sum of S. FR. 465.00, the cost of the MCOs. It is recommended that Mr. A. Moukhtar should account for the sum of S. Fr. 465.00.

Need for re-activating the OAU Post Adjustment System

20. For several past years, the OAU staff in the Geneva and Brussels offices have repeatedly requested for a solution to the adverse effects of the unstable exchange rates of the US Dollar to other currencies. The administrative decision taken in February 1987 to have the "in-house" exchange rates, and the Advisory Committee's recommendation to remit any subsidies for the Geneva and Brussels offices in local currency and cover any losses as a result of exchange fluctuations have to certain extent helped the staff in these offices but did not go to the root of the problem and many accounting problems have been encountered. It is, therefore, recommended that the OAU post adjustment system frozen since December 1980 should be re-activated or a better solution should be found.

SUMMARY CONCLUSION AND RECOMMENDATIONS

21. The management of the OAU Permanent Delegation to the United Nations in Geneva have continued to represent Africa commendably and have carried their activities according to their approved work-programme. Apart from the observations made in para 5 above the expenditures were incurred in accordance with the OAU rules and practices. However, there is still room for improvement and it is with this in mind that the following recommendations have been made:

Recommendation N°1

The accrued accounting system should be operated, especially when preparing the final financial statements and the extensive use of obligations should be stopped.

Recommendation N°2

Salaries and allowances for staff members proceeding on official mission or on annula/home leave before the pay-day should be paid as "salary in advance" AR/1/1 which should be reflected and recovered in the payroll for the month concerned.

Recommendation N°3

The finance officer should take care and not issue more than one cheque to one payee at the same time.

Recommendation N°4

To avoid unnecessary bank overdraft chrages, the OAU General Secretariat Addis Ababa should always ensure that subventions are remitted in good time.

Recommendation N°5

The sum of US\$ 364,129.98 transferred on the 13th March 1991 by the Chemical Bank, New York but not yet received by the OAU Office in Geneva should be located.

Recommendation N°6

Appropriate accounting and administrative measures should be taken to recover in full the amounts of car loan given to the following staff members:

<u>Name of Staff Member</u>	<u>Amount in</u>	
	<u>Swiss Francs</u>	<u>US\$</u>
Mr Donsoko Hamet	23 000.00	15 436.24
Mrs Tersit Akalwork	23 000.00	15 862.06
Mrs Mary M. Mukayuki	9 750.00	7 500.00

Recommendation N°7

The management of the OAU Permanent Delegation to the UN in Geneva should exercise strict control over the use of telephone and fax services to ensure that the appropriations made under code 501 (telephone and fax services) are not over-run from time to time.

Recommendation N° 8

The Board of Survey should meet to consider the best way of disposing the service vehicle and the obsolete and unserviceable items in the stores.

Recommendation N°9

Mr A. Moukhtar should account for the sum of S. Fr. 465.00, the cost of MCOs issued to him.

Recommendation N°10

To ensure that the OAU staff members in the Geneva and Brussels offices do not continue being adversely affected by the effects of the fluctuations in the value of the US Dollar and the rising costs of living there is an urgent need for re-activating the OAU Post Adjustment System frozen since December 1980.

ACKNOWLEDGEMENT

22. I wish to acknowledge with thanks and appreciation the co-operation and assistance extended to me by the Executive Secretary and his staff in the course of my statutory duties.



Philip Rwezahura, Bcom FCA

Head of Budget Control Division

CM/CAB/BC/56  
ANNEX I

PERMANENT DELEGATION OF THE ORGANIZATION OF AFRICAN UNITY IN GENEVA  
STATEMENT OF EXPENDITURE FOR TWELVE MONTHS' PERIOD ENDED 31 MAY 1991

ALL FIGURES IN US DOLLARS

A/C Code	Description	APPROPRIATIONS			Expenditure	Budget Balance	Consumed Percentage 100%
		Original	Virement	Revised			
<b>ESTABLISHED POSTS</b>							
100	Basic Salary	294 069.00	8 639.57	302 708.57	297 244.57	5 464.00	98%
213	Post Adjustment Allowance	113 287.00	2 500.00	115 787.00	112 684.54	3 012.46	97%
	TOTAL	407 356.00	11 139.57	418 495.57	409 929.11	8 566.48	98%
102	Temporary Assistance	5 000.00	NIL	5 000.00	2 706.03	2 293.97	54%
103	Overtime Payment	1 500.00	NIL	1 500.00	1 226.67	273.33	82%
300	Travel on Official Missions	20 000.00	( 4002.56)	15 997.44	15 997.44	NIL	100%
<b>COMMON STAFF COSTS</b>							
201	Travel on home leave and separation	33 865.00	36 920.00	70 785.00	68 287.94	2 497.06	96%
204	Dependency Allowance	8 450.00	NIL	8 450.00	7 139.95	1 310.05	84%
205	Housing Allowance	124 448.00	NIL	124 448.00	129 192.66	(4 744.66)	104%
206	OAU Pension Scheme	41 170.00	NIL	41 170.00	35 730.05	5 439.94	87%
207	OAU Insurance Scheme	15 000.00	NIL	15 000.00	9 807.98	5 192.02	65%
208	OAU Medical Scheme	50 000.00	15 000.00	65 000.00	70 613.42	(5 613.42)	109%
209	Gratuity	NIL	22 135.96	22 135.96	22 135.96	NIL	100%
212	Education Allowance	42 000.00	NIL	42 000.00	37 575.11	4 424.89	NIL
218	Acting Allowance	1 000.00	NIL	1 000.00	NIL	1 000.00	NIL
	TOTAL	315 933.00	74 055.00	389 988.00	380 483.07	9 504.93	98%

ALL FIGURES IN US DOLLARS

A/C Code	Description	APPROPRIATIONS			Expenditure	Budget Balance	Consumed Percentage 100%
		Original	Virement	Revised			
<b>GENERAL OPERATING EXPENSES</b>							
400	Rental of Office Premises	108 000.00	14 562.18	122 562.18	118 533.33	4 028.85	97%
401	Maintenance of Vehicles	4 000.00	2 000.00	6 000.00	5 500.91	499.09	92%
402	Maintenance of Equipment	3 000.00	534.01	3 534.01	3 534.01	NIL	100%
403	Maintenance of Premises	3 000.00	(2 887.56)	112.44	112.44	NIL	100%
404	Utilities (water & Electricity)	2 000.00	(554.45)	1 445.55	1 445.55	NIL	100%
406	Insurance of vehicles	5 000.00	(535.41)	4 464.59	4 464.59	NIL	100%
500	Cables and Telexes	3 000.00					
501	Telephone Services	6 000.00					
502	Postage	4 000.00	2 385.65	17 885.65	23 524.94	(5 639.29)	132%
503	Diplomatic Pouch	2 000.00					
504	Freight	500.00					
601	Bank Charges	3 000.00	(1 940.41)	1 059.59	1 059.59	NIL	100%
	TOTAL	143 500.00	13 564.01	157 064.01	158 175.36	(1 111.35)	101%
<b>HOSPITALITY</b>							
603	Ordinary	2 000.00	(1 398.86)	680.14	680.14	NIL	100%
603	OUA Day Reception	6 000.00	(734.33)	5 265.67	5 265.57	NIL	100%
	TOTAL	8 000.00	(2 054.19)	5 945.81	5 945.81	NIL	100%
<b>STATIONERY &amp; OFFICE SUPPLIES</b>							
600	Stationery and office supplies	5 000.00	(154.41)	4 845.59	4 845.59	NIL	100%
604	Staff Welfare	300.00	(300.00)	NIL	NIL	NIL	NIL
605	Library Books	500.00	(376.43)	123.57	123.57	NIL	100%
606	Subscription for Newspapers	3 000.00	(1 371.42)	1 628.58	1 628.58	NIL	100%
607	Other supplies and Services	1 500.00	1 000.00	2 500.00	2 044.39	455.61	82%
608	Printing of Documents	4 500.00	(270.00)	4 230.00	4 230.00	NIL	100%
	TOTAL	14 800.00	(1 472.26)	13 327.74	12 872.13	455.61	97%

ALL FIGURES IN US DOLLARS

A/C Code	Description	APPROPRIATIONS			Budget Balance	Consumed Percentage 100%
		Original	Virement	Revised		
	<u>CAPITAL EXPENDITURE</u>					
702	Furniture and Fixtures	8 000.00	(47.73)	7 952.27	NIL	100%
703	Office Equipment	5 000.00	780.94	5 780.94	NIL	100%
	TOTAL	13 000.00	733.21	13 733.21	NIL	100%
800	Meeting of African Group & Ambassadors	5 000.00	(47.98)	4 952.02	NIL	100%
	GRAND TOTAL	934 089.00	91 914.80	1 026 003.80	1 006 020.85	19 982.95 98%

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ANNEX II

CASH AND BANK BALANCES AS AT

	<u>US\$</u>
1 June 1990	237 430.25
30 June 1990	265 336.30
31 July 1990	156 485.46
31 August 1990	39 225.35
30 September 1990	230 477.68
31 October 1990	113 941.64
30 November 1990	(24 398.23)
31 December 1990	257 455.36
31 January 1991	53 143.85
28 February 1991	(45 601.86)
31 March 1991	205 102.81
30 April 1991	87 502.68
31 May 1991	(40 787.87)

USD/CHF UN EXCHANGE RATE

June 1990	SFR	1.41
July "		1.41
August "		1.36
September 1990		1.30
October "		1.30
November "		1.30
December "		1.27
January 1991		1.27
February "		1.27
March "		1.31
April "		1.45
May "		1.49
June "		1.46

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# Budget Control Report on the OAU Permanent Delegation to the United Nations Geneva for Twelve Months' Period Ended 31st May 1991

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