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BUDGET CONTROL REPORT ON THE OAU EXECUTIVE SECRETARIAT
TO THE UNITED NATIONS, NEW YORK
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 conduct an on-the-spot audit of the OAU Executive Secretariat to the United Nations in New York. The audit exercise was carried out from the 8th to 13th July 1991.

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 the Executive Secretary and other senior officials to determine whether the management at the OAU Executive Secretariat to the United Nations in New York was maintaining sound systems of internal accounting and administrative controls which provided assurance that:

- a) Expenditures were in compliance with the applicable rules and regulations of the Organization of African Unity;
- b) Funds, property and other assts 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, the Assistant Executive Secretary and other senior officials, and covered the following main areas:

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

FOLLOW-UP ON AUDIT RECOMMENDATIONS

4. Follow-up on the audit findings and recommendations was made on the spot with the management of the OAU Executive Secretariat to the United Nations in New York and the implementation status of the recommendations was as follows:

RECOMMENDATIONS	ACTIONS
1. The Executive Secretary to take note of irregularity in respect of payment of air tickets to Mr. Khan and family when he resigned his appointment shortly after returning from home leave. In a case where the office does not know what action to be taken on a financial matter, the case must be referred to the General Secretariat for directives, failing to do so, the approving officer will be surcharged with any loss suffered by the Organization.	The Executive Secretary took due note of the recommendation.
2. The Finance Officer should confirm to Head of Budget Control Division that the sum of US\$ 73.92 wrongly paid to Dr. V.D. Toko was recovered from his July 1990 salary.	<u>Implemented:</u> The sum of US\$ 73.92 was deducted from the 1990 June salary of Dr. V.D. Toko.

FINANCIAL FUNCTIONCondition of the Accounting Records

5. The books of accounts and other accounting records of the OAU Executive Secretariat to the United Nations in New York continued to be maintained in the same way they have been maintained in the previous financial years and on the whole do reflect the financial transactions of the office for the period under review. There are, however, some areas which need improvement:

- a) Payroll preparation needs improvement. At present, the staff members at the OAU Executive Secretariat to the United Nations in New York, are paid their salaries and allowances on individual payment vouchers. The payment of salaries and allowances on individual payment vouchers is a waste of time and energy and weakens the system of internal control. It is, therefore, recommended that one payroll showing the names of all staff members should be prepared a few days before the end of each month, and salaries of staff members going on official mission or on annual/home leave before the pay-day and mid-month salaries and allowances to locally recruited staff should be paid as "salary advance" AR/1/1 which should be reflected in the payroll for the month concerned.
- b) Receipt Vouchers should be serially numbered and printed in four copies.
- c) Accrued accounting system should be operated, especially when preparing the final financial statements and the use of obligations should be discontinued.
- d) Mid-month salaries and allowances to locally recruited staff should be paid on one payment voucher and shown as "salary in advance" AR/1/1.
- e) Ledger sheets and other accounting documents should be redesigned on the same format as of those accounting documents used at the OAU General Secretariat, Addis Ababa, and to this effect the Finance Department should send specimen of the relevant accounting documents to the OAU Executive Secretariat to the United Nations in New York; and

- d) The finance officer should always ensure that travel advances are first debited to individual personal accounts, to be accounted for by an officer, on return from official mission.

Management of OAU Investment Funds

6. The OAU Executive Secretariat to the United Nations in New York looks after the OAU Investment Funds (CDs). At the beginning of 1990/91 financial year there were seven (7) CDs totalling US\$ 12,265,257.93 which were being managed by the OAU office in New York. The figure of US\$ 12,265,257.93 did not include the managed deposit of US\$ 5,215,186.32 with the American Express Bank, in New York which was directly managed by the OAU General Secretariat in Addis Ababa. As at 31st May 1991 there were only three (3) CDs totalling US\$ 5,518,954.52 made up as follows:

CD N°	Principal Sum US\$	Date of Deposit	Accruing Interest US\$	Principal Plus Interest US\$	Maturity Date	Placed with
3	950 138.80	3/06/91	14 410.44	964 549.24	16/09/91	UBA
5	3 254 350.44	28/05/91	48 340.66	3 302 691.10	28/08/91	Chemical
6	1 314 465.28	10/05/91	19 728.39	1 334 193.67	9/08/91	Chemical
Total	5 518 954.52	-	82 479.49	5 601 434.01		
	=====		=====	=====		

7. The OAU Executive Secretariat in New York maintained a register in which the following details were recorded.

- a) Time deposit amount;
- b) Accruing Interest;
- c) Deposit Date;
- d) Maturity Date; and
- e) Depository bankers.

However, there were no certificates of balance issued by the bankers at the end of May 1991. It is, therefore, recommended that the bankers handling the OAU investment funds, should be given standing instructions to confirm in writing, at the end of every OAU financial year, i.e. 31 May, not only the balances on accounts but also other information such as the maturity and interest terms, line of credit facilities, any offset or other rights or encumbrances and details of any collateral given or received.

Budget Performance

8. A total of US\$ 1 135 651.00 was approved to meet the main requirements of the OAU Executive Secretariat in New York for the financial year 1990/91. As of 31 May 1991 a sum of US\$ 986,487.43 had been expended by the office. This figure represents 87% of US\$ 1,135,651.00 the appropriations for 1990/91 financial year, the detailed analysis and breakdown of this financial position is provided in Annex I attached.

9. The management of the OAU Executive Secretariat in New York incurred expenditures within the limits of revised appropriations except on the following four (4) expenditure codes:

A/C Code	Description	Revised Appropriation US\$	Expenditure US\$	Excess Expenditure US\$	Consumed Percentage %
208	OAU Medical Scheme	100 000.00	103 464.29	3 464.29	103%
401	Maintenance of Vehicles	18 000.00	19 766.55	1 766.55	110%
501	Telephone and Fax Services	24 001.53	26 856.44	2 854.91	112%
503	Pouches	2 500.00	2 558.85	58.85	102%

10. No virement requests were made for codes 401 (Maintenance of Vehicles) and 503 (Pouches). It is recommended that in future the finance officer should always ensure that realistic estimates are made both at the time of presenting the budget proposals and virement requests.

11. While the excess expenditure on code 208 (OAU Medical Scheme) cannot be put on the door of the management of the OAU Executive Secretariat in New York, they cannot, however, escape the blemish for the excess expenditure on code 501 (Telephone and Fax Services). For unknown reasons the telephone operator stopped keeping the telephone register on 15th October 1990. The examination of the details of the telephone bills revealed that:

- a) Some telephone calls made within and outside USA were not official, and
- b) Much time was spent on telephone calls. For example, one officer spoke on telephone for more than one hour.

12. To ensure that the OAU Executive Secretariat to the United Nations in New York will always incur expenditures within the limits of the allocation under code 501 (Telephone and Fax Services) it is recommended that :

- a) The telephone operator should keep details of all calls made on general lines and private telephone calls outside New York state should be paid for; and
- b) Officers should be requested to spend less time on telephone conversations.

ADMINISTRATIVE AND OTHER MATTERS

Group Life Insurance Scheme

13. The examination of the accounting records and the documents revealed that:

- a) American Life Insurance Company (ALICO) was paid insurance premium of US\$ 1 087.80 which covered only three months' period from 1st July to 30th September 1990, i.e. the staff members did not have insurance cover for the nine months' period from 1st October 1990 to 30th June 1991; and
- b) Two staff members did not have evidence of insurability, and their insured volume could not be more than US\$ 24,000.00.

14. Taking into account the two observations made above it is recommended that:

- a) The finance officer should always ensure that correct amount of insurance premium is paid to life insurance company in good time; and
- b) Appropriate steps should be taken to have all staff member, without evidence of insurability, medically examined with a view to having evidence of insurability so that their insured volume could be more than US\$ 24 000.00

Medical Insurance Scheme

15. In implementing the recommendation made by the Advisory Committee in November 1990, the OAU Executive Secretariat to the United Nations in New York has insured its staff members and their dependants with Blue Cross and Blue Shield on the basis of "Tradition Plus Comprehensive Hospital and Major Medical Programme and Progressive Dental Plan" with US\$ 100/US\$ 300 deductible and no co-insurance effective 1st July 1991. Under this new policy it has been agreed that staff members will claim 100% refunds of their medical expenses; but according to the OAU Medical Scheme, staff members are entitled to claim only 80% refunds of their medical expenses. In order to ensure that staff members are not refunded more than what is provided for in the OAU Medical Scheme, it is recommended that 80% refunds to be made by the insurance company should be paid to staff members and 20% to the OAU.

Payment of Education Allowance on the basis of invoices

16. The examination of the payment vouchers revealed that two staff members were paid education allowance on presentation of invoices from schools. These payments were not in conformity with the OAU rules and procedures which require that members should be paid education allowance on the presentation of the receipts and not on the basis of invoices from the schools. It is, therefore, recommended that the finance officer should, in future, ensure that staff members are not paid education allowance on the basis of invoices from schools but such payments should be made direct to the schools.

Payment of Housing Allowance for Accrued leave
on Separation from the Services of the OAU

17. The examination of the payment vouchers revealed that on 25th April 1991 Mme Paulette E. Saint Lot, the former finance and administrative officer was paid the sum of US\$ 9,336.46 as salary and allowance for 53 working days commuted for cash in lieu of leave in accordance with Article 27 -vl 1 (iii) of the old Staff Regulations. The figure of US\$ 9,336.46 included the sum of US\$ 3,250.66 for housing allowance which is not normally paid to staff on separation. On interview, the Ag. Executive Secretary said that such payment was an "honest mistake" as the management of the OAU Executive Secretariat to the UN in New York was not aware that housing allowance was not payable for leave period commuted for cash.

18. It would appear that the officers in the OAU Offices in the field are not conversant with the OAU rules and practices, especially regarding final entitlements for staff members separating from the services of the Organization of African Unity, it is therefore, recommended that the management of OAU offices in the field should, in case of doubt, first check with the OAU General Secretariat in Addis Ababa before effecting final entitlements to staff members separating from the services of the OAU.

Staff members income adversely affected by rising costs of living

19. The world-wide inflation and rising costs of living have adversely affected the purchasing power of the income of the OAU staff members in New York. To ensure that the purchasing power of the income of the OAU staff members in New York does not keep on declining, it is recommended that the OAU Post Adjustment System frozen since December 1980 should be re-activated.

SUMMARY CONCLUSIONS AND RECOMMENDATIONS

20. The OAU Executive Secretariat to the United Nations in New York carried out its activities in accordance with its approved work-programme and, a part from the observations made above, all expenditures were in accordance with the OAU rules and regulations. However there is still a room for improvement and the following recommendations have been made with this in mind.

Recommendation N°1

On payment showing the names of all staff members should be prepared a few days before the end of each month, and the salaries and allowances of staff members going on official mission or on annual/home leave before the pay-day and mid-month salaries and allowances to locally recruited staff should be paid as salary in advance (AR/1/1) which should be reflected in the payroll for the month concerned.

Recommendation N°2

Receipt Vouchers should be serially numbered and printed in four copies.

Recommendation N°3

Mid-month salaries and allowances to locally recruited staff should be paid on one payment voucher and shown as salary in advance AR/1/1.

Recommendation N°4

Accrual accounting system should be operated, especially when preparing the final financial statements and the use of obligations should be discontinued.

Recommendation N°5

The ledger sheets and other accounting forms should be redesigned as those in use at the OAU General Secretariat, Addis Ababa.

Recommendation N°6

The finance officer should always ensure that travel advances are first debited to individual personal accounts, to be accounted for by an officer, on return from official mission.

Recommendation N°7

The bankers managing the OAU investment funds should be given standing instructions to confirm in writing at the end of every OAU financial year, i.e. 31 May, not only the balances on accounts but other information such as the maturity and interest terms, lines of credit facilities, any offset or other rights or encumbrances and details of any collateral given or received.

Recommendation N°8

The finance officer should always ensure that realistic estimates are made both at the time of presenting the budget proposals and virement requests.

Recommendation N°9

To ensure that expenditures under code 501 (telephone fax services) are always within the approved limits it is recommended that

- The telephone operator should keep the telephone register showing details of all calls made on the general lines, and private telephone calls outside New York State should be paid for by staff members concerned, and
- Officers should be requested to spend less time on telephone conversations.

Recommendation N°10

The finance and administrative officer should always ensure that correct amount of insurance premium is paid to life insurance company in good time.

Recommendation N°11

Immediate steps should be taken to have all staff members without the evidence of insurability, medically examined with a view to providing the evidence of insurability to ALICO so that staff members' insured volume could be more than US\$ 24 000.00.

Recommendation N°12

In order to ensure that staff members are not refunded more than what is provided for in the OAU Medical Scheme, only 80% of refunds from insurance company should be paid to staff members and the 20% should be paid to the OAU.

Recommendation N°13

The finance officer should always ensure that cheques for education allowance are not issued in the names of staff members who present invoices from schools but such cheques should be issued to the schools concerned.

Recommendation N°14

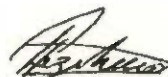
The management of the OAU offices in the field should, in case of doubt, first check with the OAU General Secretariat, Addis Ababa before effecting final entitlements to staff members separating from the services of the Organization of African Unity.

Recommendation N°15

To ensure that the purchasing power of the income of the OAU staff in New York does not keep on declining the OAU Post Adjustment System frozen since December 1980 should be reactivated.

ACKNOWLEDGEMENT

21. I acknowledge with thanks 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

ANNEX I

THE EXECUTIVE SECRETARIAT OF THE OAU TO THE UN - NEW YORK
STATEMENT OF EXPENDITURE FOR TWELVE MONTHS' PERIOD

ENDED 31 MAY 1991

ALL FIGURES IN US DOLLARS

A/C Code	Description	APPROPRIATION		Revised	Expenditure	Balance	Consumed Percentage 100%
		Original	Virement				
ESTABLISHED POSTS							
100	Basic Salary	396 122.00	NIL	396 122.00	347 869.46	48 252.54	88%
213	Post Adjustment Allowance	79 500.00	NIL	79 500.00	65 946.14	13 553.86	83%
	Total	475 622.00	NIL	475 622.00	413 815.60	61 806.40	87%
COMMON STAFF COSTS							
102	Temporary Assistance	5 000.00	NIL	5 000.00	2 706.27	2 293.73	54%
103	Overtime	3 000.00	937.50	3 937.50	3 937.50	NIL	100%
300	Travel on Official Mission	32 864.00	(7 914.20)	24 949.80	24 949.80	NIL	100%
201	Travel on Home Leave	48 000.00	NIL	48 000.00	26 384.80	21 615.20	55%
204	Dependency Allowance	4 600.00	NIL	4 600.00	3 382.80	1 217.20	75%
205	Housing Allowance	206 995.00	(21 716.69)	185 278.31	166 497.25	18 781.06	90%
206	OAU Pension Scheme	39 700.00	NIL	39 700.00	34 908.00	4 792.00	88%
207	OAU Insurance Scheme	16 900.00	NIL	16 900.00	1 087.80	15 812.20	6%
208	OAU Medical Scheme	55 000.00	45 000.00	100 000.00	103 464.29	(3 464.29)	103%
209	Gratuity	8 930.00	22 716.30	31 646.30	30 983.90	662.40	98%
212	Education Allowance	45 000.00	NIL	45 000.00	16 000.00	29 000.00	36%
	Total	425 125.00	45 999.61	471 124.61	382 708.84	88 445.79	81%

ALL FIGURES IN US DOLLARS

A/C Code	Description	APPROPRIATION			Revised	Expenditure	Balance	Consumed Percentage 100%
		Original	Virement					
<u>OPERATING EXPENSES</u>								
401	Maintenance of Vehicles	18 000.00	NIL	18 000.00	19 766.55	(1 766.55)	110%	
402	Maintenance of Equipment	6 000.00	2 500.00	8 500.00	8 342.40	157.60	98%	
403	Maintenance of Premises	5 000.00	NIL	5 000.00	5 000.00	NIL	100%	
404	Utilities (Water & Electricity)	25 400.00	(5 944.64)	19 455.36	19 455.36	NIL	100%	
406	Insurance of Vehicles etc.	17 000.00	(4 530.00)	12 470.00	12 470.00	NIL	100%	
500	Cables and Telexes	9 000.00	(5 863.77)	3 136.23	3 136.23	NIL	100%	
501	Telephone Services	20 000.00	4 001.53	24 001.53	26 856.44	(2 854.91)	112%	
502	Postage	6 000.00	(837.00)	5 163.00	5 163.00	NIL	100%	
503	Pouches	2 500.00	NIL	2 500.00	2 558.85	(58.85)	102%	
504	Freight	2 500.00	(2 168.83)	331.17	331.17	NIL	100%	
601	Bank Charges	300.00	(233.00)	67.00	67.00	NIL	100%	
Total		111 700.00	(13 075.71)	98 624.29	103 147.00	(4 522.71)	105%	
<u>HOSPITALITY</u>								
603 (i)	Ordinary	5 000.00	(2 593.45)	2 406.05	2 406.05	NIL	100%	
603 (ii)	OUA Day Reception	10 000.00	(10 000.00)	NIL	NIL	NIL	100%	
TOTAL		15 000.00	(12 593.95)	2 406.05	2 406.05	NIL	100%	

ALL FIGURES IN US DOLLARS

A/C Code	Description	APPROPRIATION			Revised	Expenditure	Balance	Consumed Percentage 100%
		Original	Virement					
<u>STATIONERY & OFFICE SUPPLIES</u>								
600	Stationery	7 000.00	1 000.00	8 000.00	6 869.62	1 130.38	86%	
604	Staff Welfare	300.00	(70.35)	229.65	229.65	NIL	100%	
606	Subscription for Newspapers	2 500.00	(383.30)	2 116.70	2 116.70	NIL	100%	
607	Other supplies and services	1 500.00	(457.56)	1 042.44	1 042.44	NIL	100%	
608	Printing of Documents	1 000.00	NIL	1 000.00	1 000.00	NIL	100%	
609	Publication of OAU Bulletin	2 500.00	NIL	2 500.00	2 500.00	NIL	100%	
Total		14 800.00	88.79	14 888.79	13 758.41	1 130.38	92%	
<u>CAPITAL EXPENDITURE</u>								
702	Office Furniture	4 000.00	(373.86)	3 626.14	3 626.14	NIL	100%	
703	Office Equipment	23 000.00	(1 342.12)	21 657.88	21 657.88	NIL	100%	
706	Information Equipment	5 500.00	(4 814.50)	685.50	685.50	NIL	100%	
Total		32 500.00	(6 530.48)	25 969.52	25 969.52	NIL	100%	
Conferences & Meetings		20 000.00	(6 911.56)	13 088.44	13 088.44	NIL	100%	
GRAND TOTAL		1 135 651.00	NIL	1 135 651.00	986 487.43	149 163.57	87%	

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