



INTERNAL AUDIT DIVISION

REPORT 2016/085

Audit of management by UNSOS of
AMISOM contingent-owned equipment

Overall results relating to the effective management by UNSOS of AMISOM contingent-owned equipment were initially assessed as partially satisfactory. Implementation of four important recommendations remain in progress

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

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AUDIT REPORT

Audit of management by UNSOS of AMISOM contingent-owned equipment

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management by the United Nations Support Office in Somalia (UNSOS) of the African Union Mission in Somalia's (AMISOM) contingent-owned equipment (COE).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. Security Council resolution 2245 stipulates that UNSOS should provide logistical support to AMISOM, including the reimbursement of COE in line with United Nations rates and practices, which are governed by the COE Manual. COE are major and associated minor equipment and consumables deployed by troop-/police-contributing countries (T/PCCs) to support the implementation of the Mission's mandate. AMISOM had six military and two police contingents comprising 22,126 uniformed personnel, and over 5,949 pieces of major COE deployed in the Mission area. The United Nations reimburses AMISOM T/PCCs for COE based on quarterly verification reports prepared by UNSOS, and are limited to equipment jointly recognized as required by the African Union, the United Nations and T/PCCs, and subject to periodic reviews by UNSOS to ensure full operational capability and fitness for purpose.
4. The UNSOS COE Unit within the Property Management Section is responsible for the quarterly verification and reporting related to COE. The COE Unit is headed by a staff at the Field Service (FS-6) level that reports to the Deputy Director, and is supported by five international staff, three contractors, and three military staff officers.
5. For the period July 2014 to December 2015, UNSOS COE Unit was responsible for inspecting 84 locations covering eight contingents. UNSOS 2014/15 and 2015/16 budgets for COE were \$35 million and \$36 million, respectively.
6. Comments provided by UNSOS are incorporated in italics.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNSOS governance, risk management and control processes in providing reasonable assurance regarding the **effective management by UNSOS of AMISOM COE**.
8. The audit was included in the 2015 risk-based work plan of OIOS due to the risk that potential weaknesses in the management of COE that could adversely affect the implementation of the UNSOS mandate to provide effective support to AMISOM.
9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that adequate policies and

procedures: (a) exist to guide management by UNSOS of AMISOM COE; (b) are implemented effectively; and (c) ensure the reliability and integrity of financial and operational information.

10. The key control was assessed for the control objectives shown in Table 1.

11. OIOS conducted the audit from 25 January to 30 April 2016. The audit covered the period from 1 July 2014 to 31 December 2015. OIOS could not make site visits to the four selected contingent locations to observe inspections and COE arrangements due to security concerns.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

13. The UNSOS governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management by UNSOS of AMISOM COE**. OIOS made four recommendations to address the issues identified.

14. UNSOS conducted the required periodic, repatriation and operational readiness inspections of major COE and promptly submitted the related reports to DFS. However, UNSOS needed to: (a) implement effective COE inspection planning procedures, and ensure the participation of relevant technical specialists in operational readiness inspections; (b) provide training to contingents to ensure the accuracy of Monthly Standard Operational Reports (MSORs); (c) ensure compliance with Security Council resolution 2036 (2012) regarding reimbursement of T/PCCs for lost/damaged COE; and (d) take actions to ensure the effectiveness of the Contingent-owned Equipment/Memorandum of Understanding Review Board (CMMRB) mechanism.

15. The initial overall rating was based on the assessment of key control presented in Table 1. The final overall rating was **partially satisfactory** as implementation of four important recommendations remains in progress.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management by UNSOS of AMISOM COE	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Regulatory framework

Need to strengthen controls over the physical verification process

16. The COE Manual and Guidelines for the Field Verification and Control of COE and MoU (the COE Guidelines) require: (a) two or more COE Unit staff to conduct 100 per cent periodic inspections (including a tolerance limit of 10 per cent), complemented by spot checks, once every three months; (b) teams comprising COE Unit staff, specialists from UNSOS relevant technical sections and AMISOM Force/Police Headquarters representatives to conduct operational readiness inspections once every six months to ensure that major COE have been deployed in the required quantities, are operational and used appropriately; and (c) repatriation inspection teams comprising the Property Control Unit and representatives from appropriate Mission technical sections to ensure proper accountability of United Nations-owned equipment (UNOE) assigned to the contingent and proper disposal of hazardous waste.

17. OIOS review of the inspection planning and verification processes, 586 inspection worksheets containing 5,949 major COE for the period from 1 July 2014 to December 2015, and field visits to three out of eight contingents indicated that the COE Unit completed all 25 required operational readiness inspections, 25 periodic/quarterly inspections, and one repatriation inspection during the audit period. The Unit made steady improvement related to periodic/quarterly inspections, having: (a) conducted 65 out of 67 planned inspections in the quarter ended 31 December 2015 (97 per cent) as compared to 21 out of 45 (47 per cent) in the quarter ended 31 December 2014; and (b) significantly improved the average percentage of major COE inspected to 90 per cent in the quarter ended 31 December 2015, up from 31 per cent in the quarter ended 31 December 2014.

18. However, the COE Unit did not conduct spot checks as it had not identified any issue during previous scheduled inspections that required such checks. Also, inspection teams for 25 operational readiness inspections did not include specialists from other Mission technical sections such as:

- Surface Transport to provide technical advice on the classification of vehicles and assess vehicle safety standards;
- Property Control and Inventory Unit to inspect UNOE issued to contingent units;
- Environmental Officer to assess compliance with UNSOS environmental policies and procedures, and provide advice to contingents on these policies and procedures;
- Communication and Information Technology Section to provide expert advice on information and communication technology capabilities of COE; and
- Representatives from AMISOM Force/Police Headquarters, including: (i) Operations Officer to review operational requirements and inspect and assess operational performance; (ii) Engineering Officer to inspect and assess engineering and de-mining equipment for major COE capacities such as water treatment plants, engineering vehicles and electrical capabilities; (iii) Ammunition Technical Officer to assess all natures of ammunition and explosives stocks held by contingents; and (iv) Logistics Officer to assess the operational readiness of logistics-related major COE.

19. The above resulted because the COE Unit did not effectively coordinate the inspections planning process with the relevant UNSOS and AMISOM components. This increased the risk that the inspection teams may not accurately identify and report on the operational readiness/condition of COE.

(1) UNSOS should implement effective contingent-owned inspection planning procedures, and ensure the participation of relevant technical specialists in operational readiness inspections.

UNSOS accepted recommendation 1 and stated that it would ensure the participation of relevant technical specialists in all operational readiness inspections. Recommendation 1 remains open pending receipt of evidence that UNSOS management has ensured that technical specialists participate in operational readiness inspections.

Need for accurate MSORs

20. The COE Guidelines require the COE Unit to implement effective procedures to ensure the accuracy of MSORs that are routinely used in updating the electronic COE databases (eCOE) when physical verification of COE is not possible.

21. OIOS review of 21 MSORs and related verification reports with 703 major COE out of 72 MSORs with 5,459 major COE for the period from April to December 2015 showed:

- Two contingents did not complete all sections of the MSOR as they did not provide the required information such as COE unavailability start/end dates, number of days the COE was unavailability, and the reason for unavailability;
- Differences between the actual quantities of major COE reported in the verification reports and the quantities reported in MSORs in 12 instances. For example, one contingent reported 149 Crew Served Machine Guns in the MSOR compared to 194 in the verification report for the month ended 31 December 2015; and
- Differences between the quantities of serviceable major COE reported in the verification report and the quantities reported in the MSORs in 14 instances. For example, one contingent reported 7 water storage facilities as serviceable in the MSOR compared to 10 in the Verification Report for the month ended 30 September 2015.

22. While UNSOS advised that it had provided training to contingents and guided them in preparing the MSORs, the above indicated that additional training and guidance was required to mitigate the risk of errors in the MSORs and eCOE database. Without further training, there is a continued risk that the eCOE database would be unreliable.

(2) UNSOS should provide training to contingents and implement effective procedures to ensure the accuracy of Monthly Standard Operational Reports.

UNSOS accepted recommendation 2 and stated that it was coordinating with AMISOM COE Officers to ensure contingents submitted MSORs in a timely manner. Recommendation 2 remains open pending receipt of evidence that UNSOS has provided additional training to AMISOM contingents, and that the contingents submitted accurate MSORs.

Need to address issues relating to long-outstanding lost or damaged COE

23. Security Council resolution 2036 (2012) and subsequent resolutions require the United Nations to reimburse AMISOM T/PCCs for COE in accordance with the United Nations rates and practices, which

are governed by the COE Manual. Related to these resolutions, the COE Manual requires: (a) the United Nations to assume liability for lost/damaged major equipment whose generic fair market value equals or exceeds \$250,000 or when the collective generic fair market value of such equipment equals or exceeds \$250,000; and (b) UNSOS to investigate and report any loss/damage to COE that could be subject to reimbursement by the United Nations.

24. OIOS review of the only claim made by a TCC, all the minutes of the CMMRB and communication between the United Nations and the Commission of the African Union indicated that UNSOS had not: (a) settled a claim totaling \$1.2 million for the loss of COE; and (b) conducted investigation for 22 contingent-owned vehicles reported to have been destroyed in operation.

25. UNSOS did not settle the claim and investigate the reported damage of 22 COE because it relied on communication from DFS dated 12 August 2012, which stated that the United Nations was not required to reimburse the TCC of AMISOM for lost/damage equipment. However, the audit results indicated that the communication from DFS was overtaken by Security Council resolution 2036 dated October 2012 as the communication was based on the opinion of the Office of Legal Affairs related to a draft tripartite MoU between the United Nations, the African Union, and AMISOM T/PCC that predated the resolution.

26. According to AMISOM, due to the refusal of UNSOS to settle claims for loss/damaged COE, the concerned contingents lacked the required number of COE, and therefore lacked full capacity to effectively implement its mandated tasks.

(3) UNSOS should take appropriate actions to ensure compliance with the requirement for Security Council resolution 2036 (2012) regarding reimbursement of troop/police countries for lost/damaged contingent-owned equipment.

UNSOS accepted recommendation 3 and stated that after receiving confirmation from DFS, it would commence reimbursing T/PCCs for lost or damaged COE as a result of hostile action. Recommendation 3 remains open pending receipt of evidence that UNSOS has commenced reimbursing T/PCCs for lost or damaged COE as a result of hostile action.

Need to strengthen the functioning of the CMMRB

27. The COE Manual requires UNSOS to establish a CMMRB to oversee the COE programme, including: (a) reviewing compliance of T/PCCs with the terms of their MoUs and compliance of the Mission with established COE verification and reporting procedures; (b) identifying optimal utilization of related resources and cost-effective support solutions; (c) reviewing UNSOS-specific requirements, standards and scales for facilities, equipment and supplies associated with self-sustainment; (d) reviewing the results of operational readiness inspections and analyzing shortfalls, surpluses and deficiencies; and (e) recommending remedial actions to the UNSOS Director and DPKO/DFS.

28. UNSOS had established a CMMRB in June 2014 with terms of reference approved by the Director and confirmed by the Representative of the Chairperson of the African Union Commission. A review of the minutes of three quarterly meetings and terms of reference of the CMMRB, verification reports and quarterly COE status reports for the period from July 2014 to December 2015 however indicated the absence of evidence that the CMMRB:

- Recommended a cost-effective solution to achieve optimal utilization of equipment in support of the Mission; and

- Adequately deliberated on the persistently low serviceability rate of vehicles compared to relevant standards in the MoUs, though increasing steadily from 65 per cent in the quarter ended March 2015 to 75 per cent in the quarter ended December 2015, which were attributed to loss of equipment through hostile action, lack of spare parts and wear and tear of some equipment.

29. The above resulted because UNSOS had not implemented an effective mechanism to ensure the CMMRB effectively perform its tasks. As a result, there was the risk that UNSOS COE operations were not cost-effective, and contingents were not adequately equipped to implement their mandates. For example, there was a significant number of vehicles including 40 soft-skin vehicles that were underutilized and therefore were not used cost-effectively due to the security environment in which AMISOM troops were operating.

(4) UNSOS should take actions to ensure the effectiveness of the Contingent-owned Equipment/Memorandum of Understanding Review Board.

UNSOS accepted recommendation 4 and stated that it was progressively taking actions such as review of the terms of reference and frequent meetings of the CMMRB. Recommendation 4 remains open pending receipt of the revised terms of reference of the CMMRB and evidence that the CMMRB has effectively performed its functions.

IV. ACKNOWLEDGEMENT

30. OIOS wishes to express its appreciation to the management and staff of UNSOS for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
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Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of management by UNSOS of AMISOM contingent-owned equipment

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNSOS should implement effective contingent-owned inspection planning procedures to ensure the participation of relevant technical specialists in operational readiness inspections.	Important	O	Receipt of evidence that UNSOS management has ensured that technical specialists participate in operational readiness inspections.	October 2016
2	UNSOS should provide training to contingents and implement effective procedures to ensure the accuracy of Monthly Standard Operational Reports.	Important	O	Receipt of evidence that UNSOS has provided additional training to AMISOM contingents, and that the contingents submitted accurate Monthly Standard Operational Reports.	July 2016
3	UNSOS should take appropriate actions to ensure compliance with the requirement for Security Council resolution 2036 (2012) regarding reimbursement of troop/police countries for lost/damaged contingent-owned equipment.	Important	O	Receipt of evidence that UNSOS has commenced reimbursing T/PCCs for lost or damaged COE as a result of hostile action.	October 2016
4	UNSOS should take actions to ensure the effectiveness of the Contingent-owned Equipment/Memorandum of Understanding Review Board.	Important	O	Receipt of the revised terms of reference of the CMMRB and evidence that the CMMRB has effectively performed its functions.	October 2016

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNSOS in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of management by UNSOS of AMISOM contingent-owned equipment

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSOS should implement effective contingent-owned inspection planning procedures to ensure the participation of relevant technical specialists in operational readiness inspections.	Important	Yes	COE	October 2016	<p>UNSOS management is progressively implementing this recommendation. Technical specialists from UNSOS Transport and AMISOM Military components are now involved during COE inspection. Operational Readiness Inspection on Djibouti, which was conducted in June 2016, involved transport and Communications specialists, as per the attached Inspection Instruction.</p> <p>UNSOS management will ensure the participation of relevant technical specialists during all operational readiness inspections.</p>
2	UNSOS should implement effective procedures to ensure that contingents accurately prepare and submit the required Monthly Standard Operational Reports.	Important	Yes	COE	July 2016	<p>Management seeks to advise the auditors that UNSOS does coordinate with AMISOM COE Officers to ensure that Contingents submit MSORs in a timely manner. The monthly serviceability reports are attached herewith as evidence of implementation.</p> <p>Management therefore requests the closure of this recommendation as implemented.</p>

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of management by UNSOS of AMISOM contingent-owned equipment

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted ? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	UNSOS should take appropriate actions to ensure compliance with the requirement for Security Council Resolution 2036 (2012) regarding reimbursement of troop/police countries for lost/damaged contingent-owned equipment.	Important	Yes	COE	October 2016	Management seeks to advise the auditors that UNHQ has now confirmed that UNSOS should reimburse contingents for COE lost or damaged as a result of hostile action. Management is therefore now in a position to implement this recommendation.
4	UNSOS should take actions to ensure the effectiveness of the Contingent-owned Equipment/Memorandum of Understanding Review Board mechanism.	Important	Yes	COE	October 2016	<p>UNSOS management is progressively implementing this recommendation.</p> <p>The quarterly CMMRB meetings held in July and November 2015; and February and May 2016 discussed the terms of reference for members, and minutes of meetings are forwarded to UNHQ with the COE Quarterly Status reports.</p> <p>Minutes of the fifth CMMRB meeting and the last Quarterly COE status Report are attached herewith.</p>