



INTERNAL AUDIT DIVISION

REPORT 2021/009

Audit of asset verification and write-off in the African Union-United Nations Hybrid Operation in Darfur

**Reported physical counts were not
adequately supported, Umoja records were
not up to date, and efforts were needed to
expedite asset write-off procedures**

**9 April 2021
Assignment No. AP2020-634-04**

Audit of asset verification and write-off in the African Union-United Nations Hybrid Operation in Darfur

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of asset verification and write-off in the African Union-United Nations Hybrid Operation in Darfur (UNAMID). The objective of the audit was to assess the adequacy and effectiveness of the verification and write-off of assets in preparation for the UNAMID drawdown and liquidation. The audit covered the period from 1 January 2019 to 31 December 2020 and included physical verification, reconciliation and updating of Umoja records, and the asset write-off process.

Previous OIOS audits reported inefficiencies and losses of assets, which had been accumulating since the Mission's start-up phase in 2007/08. Since OIOS last audit in 2018, UNAMID has been taking action to reduce its asset holdings but further work is still necessary to properly account for assets and to proceed with write-off procedures during the drawdown and liquidation.

The Mission reported a high percentage of physical verifications were completed, but OIOS could not fully substantiate the validity of the physical counts due to the lack of proper evidence.

OIOS made three recommendations to address the issues identified in the audit. UNAMID needed to:

- Issue and implement adequate instructions to: (a) complete a full verification of the Mission's assets by the end of the drawdown on 30 June 2021 using, where necessary, alternative methods to evidence their existence and condition; and (b) ensure adequate supporting documents are maintained to substantiate the work completed;
- Resolve discrepancies in asset records in Umoja; and
- Complete all asset write-offs in a timely manner to enable subsequent asset disposal actions.

UNAMID accepted the recommendations and has initiated action to implement them.

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Audit of asset verification and write-off in the African Union-United Nations Hybrid Operation in Darfur

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of verification and write-off of assets in the African Union-United Nations Hybrid Operation in Darfur (UNAMID).

2. Security Council resolution 2559 (2020) decided to end the mandate of UNAMID as of 31 December 2020 and complete its drawdown by 30 June 2021 and start its liquidation thereafter. In anticipation of the Mission's closure, UNAMID established an Asset Downsizing Task Force (ADTF) in April 2018 to oversee the physical verification, write-off, and disposal of assets in compliance with relevant policies and contractual requirements. ADTF is chaired by the Chief of the Property Management Section (PMS) who reports to the Director of Mission Support (DMS), and comprises chiefs of technical sections, heads of Mission sectors and a representative from the Khartoum Liaison Office. Asset verification and write-off is governed by the Property Management Manual, the Liquidation Manual, the Centralized Warehousing Operations Manual for Field Missions, and other relevant directives.

3. The Property Control and Inventory Unit (PCIU) in PMS is responsible for annual physical verification of all assets in close collaboration with technical sections such as Field Technology, Engineering and Environmental Protection, Medical and Transport, which are accountable for assets in their custody. The Integrated Warehouse Section (IWS) is responsible for physical verification of inventory stored in the Mission's warehouses. The Property Disposal Unit (PDU) in IWS is responsible for coordinating write-off and disposal processes of the Mission's assets including submitting write-off cases to the Local and Headquarters Property Survey Boards (L/HPSB) and DMS (within his/her delegated authority) for approval.

4. PMS is headed by a Chief at the P-5 level and has 34 authorized posts comprising 13 international and 17 national staff, and four United Nations Volunteers. IWS is headed by a Chief at the P-4 level and has 56 authorized posts consisting of 17 international and 30 national staff and 9 United Nations volunteers.

5. As of 31 December 2020, the acquisition cost of assets held by UNAMID was \$481 million, with the total net book value of \$108 million. As of 31 December 2020, UNAMID held approximately 14.5 million items of inventory valued at approximately \$50 million.

Figure 1

Property, plant and equipment

(Millions of United States dollars and percentage)

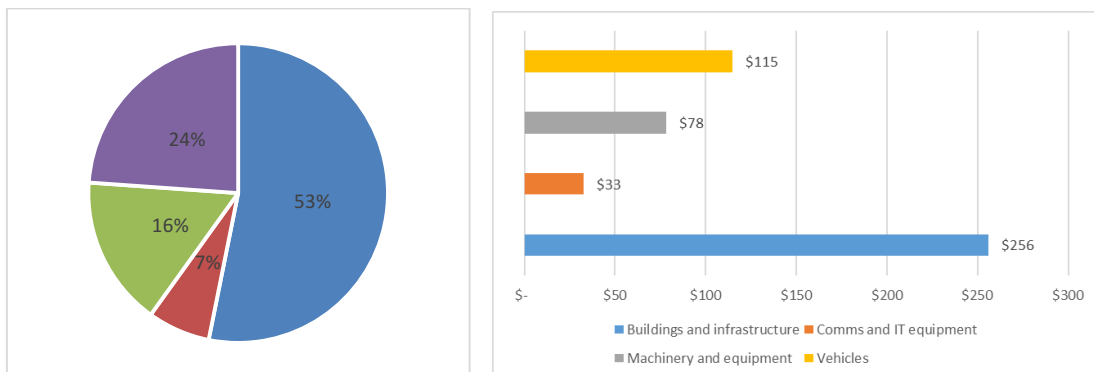
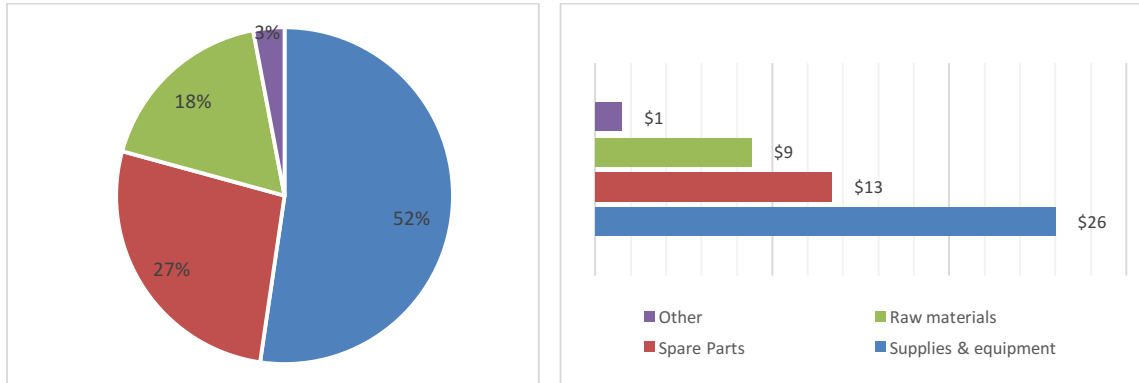


Figure 2
Inventory
(Millions of United States dollars and percentage)



6. Comments provided by UNAMID are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of the verification and write-off of assets in preparation for the UNAMID drawdown and liquidation.

8. This audit was included in the 2020 risk-based work plan of OIOS due to inherent high risks associated with inefficient asset management, and specific high residual risks related to safeguarding, timely verification and disposal of assets given the imminent closure of UNAMID. Previous OIOS audits of warehousing operations and asset management in UNAMID (2018/123, dated 11 December 2018 and 2018/139, dated 18 December 2018) identified inefficiencies and weaknesses in asset management, which resulted in accumulation of unused assets due to excess purchasing and losses of assets over the years due to inadequate safeguarding and maintenance and repair process.

9. OIOS conducted this audit from 1 July to 31 December 2020 and covered the period from 1 January 2019 to 31 December 2020. Based on activity-level risk assessment, the audit covered higher and medium risks areas of asset verification and write-off. Asset disposal was not included in the scope of this audit, as OIOS is currently conducting a separate assignment in this area. Further audit work in asset management will also be conducted through its planned audit of closure of team sites.

10. The audit methodology included: (a) interviews of key personnel; (b) analytical reviews of relevant data and documentation related to asset verifications conducted by UNAMID in 2019/20 and asset write-offs processed during 2020; (c) physical verification of a judgmentally selected sample of assets (limited to El Fasher camp due to the COVID-19 travel restrictions).

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

III. AUDIT RESULTS

Asset verification and write-off

There was no evidence that full physical verification of assets was completed

12. Annual physical verification of assets is a vital exercise aimed at ensuring their existence, condition and completeness. Missions are required to complete the full physical verification of assets by end of each fiscal year and to record results of this verification in Umoja to enable the preparation of IPSAS-compliant financial statements.

13. For 2019/20, the deadline for physical verification was extended by one month due to travel restrictions and reduced staffing capacity related to COVID-19 disease pandemic. The Mission reported to have verified 98 per cent of property, plant and equipment (PPE), and 93 per cent of inventory by 31 July 2020. The Mission explained that it was unable to achieve 100 per cent verification for 2019/20 due to travel and operational disruptions, as well as reduced staffing during the peak of the pandemic. Additionally, due to the end of mandate of UNAMID on 31 December 2020 and because of the start of the drawdown period, the Mission was required to carry out another physical verification of all assets by the end of 2020. UNAMID reported that as of 31 December 2020, it had physically verified 91 per cent of PPE and 43 per cent of inventory. The shortfall was partly due to staffing constraints, as most personnel continued to work outside the Mission. Also, the physical verification plans did not include milestones for each location and did not indicate the technical sections which had the custody of the assets.

14. The audit noted weaknesses in the physical verification process. There were no documents to support those verifications that had been conducted, such as print outs of asset lists indicating location, type and condition of assets verified. There was also no evidence of who in PCIU had verified the assets and the date in which they were checked. Further, it was not clear how 6,401 items of PPE with the acquisition cost of \$3 million had been physically verified because their location information was not recorded in Umoja, which was necessary for PCIU to locate them. Additionally, verification of items at remote team sites was challenging due to travel restrictions, and some items such as laptops issued to staff were outside the Mission area. While there was evidence that UNAMID obtained photographic evidence of the existence of assets in a small number of cases, this was not systematically done and needed to be expanded to include those assets that PCIU staff could not verify in person.

15. OIOS judgmentally selected a sample of 100 assets with the acquisition cost of \$12.9 million for verification by physical inspection and by alternative methods, such as checking photographic evidence of items in remote sites. OIOS could not verify the existence of 14 of the 100 items selected with the acquisition cost of \$1.2 million. These comprised 11 items in team sites (generators, forklifts, and container handler) and three generators and a Lan Network Switch in El Fasher logistics base. PCIU had reported that these items were verified in the last physical count as of 31 December 2020.

16. Moreover, OIOS review of the consumables' discrepancy report from 1 July 2019 to 30 June 2020 showed discrepancies between the Mission's physical count and Umoja records for 260,530 items of inventory valued at \$1.1 million. These discrepancies represented 2 per cent of the total value of inventory as at 30 June 2020 which relevant guidelines allowed as acceptable. OIOS physically counted a sample of 45 inventory items with the acquisition cost of \$2.4 million out of the 3.8 million recorded items that were stored in containers (used as warehouses) in El Fasher from three technical sections. OIOS was unable to verify the existence of 13 of the 45 items which belonged to the Engineering and Environmental Protection Section and included generator parts and construction tools.

17. The above conditions occurred because PCIU and IWS did not adequately instruct staff on the required evidence to collect as part of physical verification of assets: at a minimum, this should include asset location and condition. There was also no evidence that PCIU and IWS Chiefs conducted periodic quality control reviews to ensure proper verification was done and reliable information was collected. Failure to verify all assets may hinder the Mission's efforts to a) timely and effectively reconcile its financial records, b) prevent theft of assets, c) conduct investigation into missing assets, and d) implement adequate and effective write-off and disposal of assets.

(1) UNAMID should issue and implement adequate instructions to: (a) complete a full verification of the Mission's assets by the end of the drawdown on 30 June 2021 using, where necessary, alternative methods to evidence their existence and condition; and (b) ensure adequate supporting documents are maintained to substantiate the work completed.

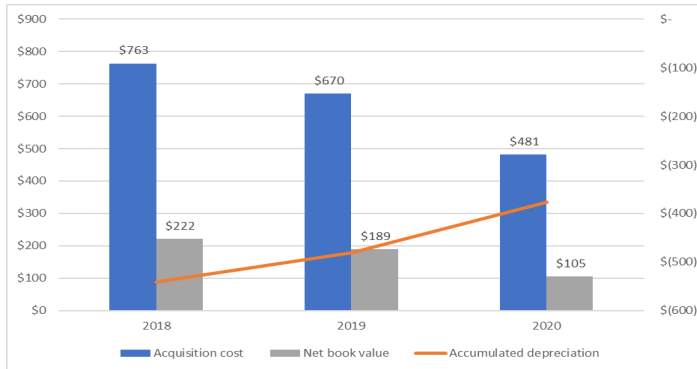
UNAMID accepted recommendation 1 and stated that it had issued instructions for the annual verification of assets in July 2020 and verification of inventory in September 2020. In view of the drawdown and closure of team sites, the Mission was conducting a meticulous joint physical verification (JPV) of assets in line with the closures of team sites. A team comprising supply chain management and service delivery representatives were also conducting an JPV to inspect, verify, record and process assets for write-off and disposal. All assets allocated to staff that cannot be physically verified were supported with pictorial evidence from the staff member. The Mission is also maintaining adequate documentation with regards to asset verifications, including minutes of meetings with United Nations Global Support Center (UNGSC). Recommendation 1 remains open pending receipt of evidence that a full verification had been completed by 30 June 2021, and there is adequate and complete documentation supporting the exercise.

UNAMID held excessive levels of assets impacting timely and efficient closure activities

18. During the Mission drawdown and closure, timely and proper disposal of assets is a key activity. Specifically, senior leadership has the responsibility to ensure minimal inventory holdings for the remainder of the life of the Mission and to avoid unnecessary purchases of assets/ expendables.

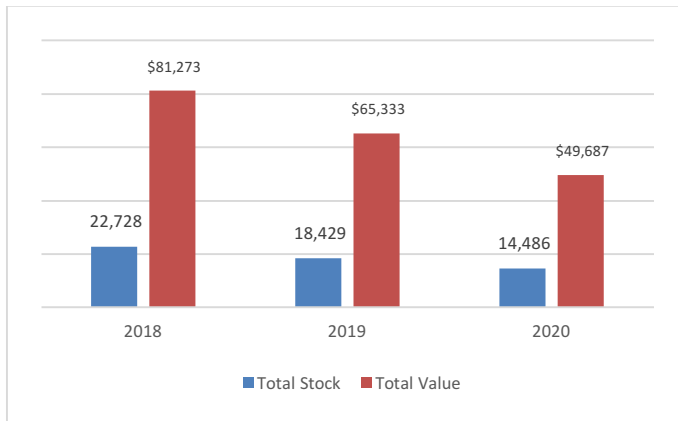
19. Analysis of data extracted from Umoja indicate that the Mission's efforts to reduce its assets holdings in preparation of UNAMID drawdown and liquidation were not fully effective. Despite previous audit recommendations, UNAMID was still holding excessive levels of assets at the end of its mandate. For instance, as of 31 December 2020, UNAMID had \$50 million worth of inventory, which were stored in six warehouses and around 4,500 sea containers due to shortage of storage facilities. In the first pre-liquidation report issued in September 2020, UNAMID recognized its inventory and PPE holdings as "excessive" and considered commercial sales as challenging due to government and time restrictions. A summary of holdings is shown in Figures 3 and 4.

Figure 3
UNAMID property, plant and equipment balances in 2018-2020
 (thousands of United States dollars)



Source: Umoja ECC

Figure 4
UNAMID inventory balances in 2018-2020
 (thousands of United States dollars)



Source: Umoja BI

20. The above was mainly due to weaknesses in asset management, particularly ineffective execution of the established preliminary asset disposal plan, and inaccurate Umoja records. In response to a recommendation raised by OIOS in the previous audit¹, the Mission planned that its assets should not exceed capitalized value of \$137 million with the net book value of about \$17 million by 1 July 2020. However, the 2019 political crisis and consequent Security Council resolutions 2517 (2020) of 30 March 2020 and 2525 (2020) of 30 June 2020 requesting UNAMID to maintain all team sites for mandate implementation until 31 December 2020 and put on hold any drawdown activities, had adversely affected the Mission's ability to meet the planned target. More than half of the PPE comprised buildings and infrastructure, which is expected to be handed over to the host government during the Mission drawdown or liquidation stage.

21. As previously reported by OIOS, UNAMID had not maintained accurate and reliable records on the condition, status, location, and movement of its assets. Lack of accurate and reliable records stemmed from ineffective migration of data to Umoja from the legacy system and inaccuracies persisted over the

¹ OIOS report 2018/139 on the audit of asset management in UNAMID (recommendation 2)

years because responsible staff did not continuously detect and reconcile discrepancies and update Umoja records. OIOS review of consumables discrepancy reports of 30 June 2020 showed that many discrepancies identified by PMS had not been corrected in Umoja by the responsible technical sections. For example:

- 2,113 assets with acquisition cost of \$14 million were recorded as located in three closed team sites although these assets were either in transit to the El Fasher logistics base or another mission.
- 233 assets with acquisition cost of \$2.2 million showed as “in transit” although they had already arrived at the destinations in El Fasher, Zalingei and other missions, including assets shipped three years ago.
- 78 assets with acquisition cost of \$2 million were still showing as “in stock” in Umoja although the physical verification for period ending 30 June 2020 identified them either “in use” or “in transit”.
- Information of the end users for 857 assets with “in use” status with a total acquisition cost of \$9 million were still missing in Umoja.
- 246 written-off and deactivated assets of acquisition cost of \$0.3 million showed as “in use” or “in stock”.

22. The above occurred because the chiefs of technical sections due to other priorities delegated the tasks of updating Umoja asset records to junior staff and did not thoroughly supervise the progress. Also, ADTF did not adequately oversee the cleansing of asset records in Umoja, which impacted the ability of the Mission to effectively manage its asset holdings and make informed decisions.

23. The rather lengthy asset write-off process also contributed to the excessive asset holdings as at 31 December 2020. A review of Umoja BI report² showed that during 2020, it took on average 115 days to complete the write-off process for 9,022 assets; while the process to write-off 2,929 items was pending for an average of 264 days. The delay was mostly due to inadequate write-off requests submitted by technical sections, as there was missing information on asset location, condition and investigation reports despite the checklist developed by the Mission. As a result, in 2020 more than 20 per cent of write-off requests were returned to technical sections.

24. Write-off cases were processed in accordance with established requirements and approvals from L/HPSB and were within the \$25,000 threshold delegated to DMS, except for two cases. Generators with the net book values of \$38,301 and \$31,152 were written-off without submission to HPSB. These appeared to be isolated cases.

25. Excess asset holdings lead to deterioration of goods in storage, while delays in the write-off process is hindering the timeliness and effectiveness of asset disposal actions during the Mission drawdown.

(2) UNAMID should take action to resolve discrepancies in asset records in Umoja.

UNAMID accepted recommendation 2 and stated that it has an ongoing project with regards to data cleansing of asset records in Umoja. Key indicators are used to monitor progress. Latest statistics show substantial developments in the resolution of data discrepancies. A key element of the data

² Umoja BI report 08 Duration of the write-off process

cleansing is accountability on unverified assets. PMS immediately reports all assets that are not verified to the Department of Safety and Security (DSS)/Special Investigation Unit (SIU) for further investigation. Based on the SIU report, PMS is initiating write-offs for these assets. PMS also sends to the technical sections reports on data discrepancies twice a month and reminds them of incomplete data in Umoja. PMS anticipates having resolved all major asset records discrepancies by 30 June 2021. Recommendation 2 remains open pending receipt of evidence that asset discrepancies in Umoja have been resolved.

(3) UNAMID should ensure asset write-off is completed timely to enable subsequent asset disposal actions.

UNAMID accepted recommendation 3 and stated that the Mission has reinforced the supply chain management pillar with the creation of an Asset Management Unit (AMU). AMU was assigned the role of processing write-offs. In view of the high volume of write-offs expected, UNAMID was also collaborating with UNGSC to provide additional support in processing write-off transactions in Umoja. Notes to File for old cases were submitted to the DMS for signature and closure. PMS follows up with DSS/SIU for timely completion of investigation reports and with L/HPSB for any delayed cases. Recommendation 3 remains open pending receipt of evidence of the steps taken to reduce the length of the asset write-off process.

V. ACKNOWLEDGEMENT

26. OIOS wishes to express its appreciation to the management and staff of UNAMID 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 asset verification and write-off in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ³ / Important ⁴	C/ O ⁵	Actions needed to close recommendation	Implementation date ⁶
1	UNAMID should issue and implement adequate instructions to: (a) complete a full verification of the Mission's assets by the end of the drawdown on 30 June 2021 using, where necessary, alternative methods to evidence their existence and condition; and (b) ensure adequate supporting documents are maintained to substantiate the work completed.	Important	O	Receipt of evidence that a full physical verification had been completed by 30 June 2021, and there is adequate and complete documentation supporting the exercise.	30 June 2021
2	UNAMID should take action to resolve discrepancies in asset records in Umoja.	Important	O	Receipt of evidence that asset discrepancies in Umoja have been resolved.	30 June 2021
3	UNAMID should ensure asset write-off is completed timely to enable subsequent asset disposal actions.	Important	O	Receipt of evidence of the steps taken to reduce the length of time for the asset write-off process.	30 June 2021

³ 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.

⁴ 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.

⁵ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁶ Date provided by UNAMID in response to recommendations.

APPENDIX I

Management Response

Management Response

**Audit of Audit of verification and write-off of assets and inventories in the African Union-United Nations
Hybrid Operation in Darfur**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should issue and implement adequate instructions to: (a) complete a full verification of the Mission's assets by the end of the drawdown on 30 June 2021 using, where necessary, alternative methods to evidence their existence and condition; and (b) ensure adequate supporting documents are maintained to substantiate the work completed.	Important	Yes	PMS/IWS	30 June 2021	<p>The Mission issued instructions for the annual verification of assets in July 2020 and verification of inventory in September 2020. The same has been captured in the respective section's annual work plan.</p> <p>In view of the drawdown and closure of team sites, the Mission is conducting a meticulous Joint Physical Verification (JPV) of assets in line with the sequence of closures of team sites. Technical Sections are constantly reconciling UMOJA records with physical verifications results with an aim of resolving all discrepancies before handover of each team site.</p> <p>A team comprising Supply Chain Management and Service Delivery representatives are also conducting an JPV to inspect, verify, record and process assets for write-off and disposal</p> <p>All assets allocated to staff that cannot be physically verified (e.g laptops), are supported with pictorial evidence received from the staff member.</p> <p>The Mission is maintaining adequate documentation with regards to asset verifications including:</p> <ul style="list-style-type: none"> • Joint Inspection Schedule • Joint verification and write off of assets and inventory. • UNAMID and UNGSC minutes of meetings.

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 Audit of verification and write-off of assets and inventories in the African Union-United Nations
Hybrid Operation in Darfur**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	UNAMID should take action to resolve discrepancies in asset records in Umoja.	Important	Yes	PMS/IWS,	30 June 2021	<p>UNAMID has an ongoing project with regards to data cleansing of asset records in Umoja. Key indicators are used to monitor progress. Latest statistics show substantial developments in the resolution of data discrepancies.</p> <p>A key element of the data cleansing is accountability on unverified assets. PMS immediately reports all assets that are not verified to UNDSS/SIU for further investigation. Based on the SIU report, PMS is initiating write-offs for these assets.</p> <p>PMS also sends to the Technical Section reports on data discrepancies twice a month and reminds them of incomplete data in UMOJA.</p> <p>PMS anticipates having resolved all major asset records discrepancies by 30 June 2021.</p>
3	UNAMID should ensure asset write-off is completed timely to enable subsequent asset disposal actions.	Important	Yes	Asset Management Unit PMS, and Technical Sections	30 June 2021	<p>UNAMID has reinforced the Supply Chain Management Pillar with the creation of an Asset Management Unit. The Unit is assigned the role of processing write-offs.</p> <p>In view of the high volume of write-offs expected, UNAMID is also collaborating with UNGSC to provide additional support in processing write-off transactions in Umoja.</p> <p>Notes to File for old cases, are submitted to the DMS for signature and closure. PMS follows up with UNDSS/SIU for timely completion of investigation reports. PMS also does follow-ups with LPSB and HPSB for any delayed cases.</p>