INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/106

Audit of asset management in the United Nations Interim Security Force for Abyei

Overall results relating to asset management in UNISFA were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

26 November 2013
Assignment No. AP2013/633/04

CONTENTS

AUDIT REPORT

Audit of asset management in the United Nations Interim Security Force for Abyei

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of asset management in the United Nations Interim Security Force for Abyei (UNISFA).

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.   The Chief of Mission Support was responsible for the overall management of property, plant and equipment and inventory in UNISFA. The self-accounting units, including Transport, Engineering, Supply and Communication and Information Technology Sections, were responsible and accountable for assets entrusted to them. The Property Management Section was responsible for ensuring the inspection and recording of assets in Galileo in collaboration with the self-accounting units. The Property Control and Inventory Unit was responsible for overseeing the management of assets held by self-accounting units. As of March 2013, UNISFA had 7,848 items of property, plant and equipment costing $64.9 million and 2.2 million items of inventory costing $4.6 million. More than 80 per cent of these items were transferred from the United Nations Mission in the Sudan (UNMIS) during its liquidation from July to December 2011.

4.   Comments provided by UNISFA are incorporated in italics.

II.   OBJECTIVE AND SCOPE

5.   The audit was conducted to assess the adequacy and effectiveness of UNISFA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of assets in UNISFA**.

6.   The audit was included in the OIOS 2013 risk-based work plan due to financial and operational risks related to the management of assets, and reputational risks arising from the pending implementation of International Public Sector Accounting Standards (IPSAS).

7.   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 policies and procedures: (i) exist to guide the management of assets in UNISFA; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

8.   The key control was assessed for the control objective shown in Table 1.

9.   OIOS conducted this audit from January to April 2013. The audit covered the period from 1 July 2011 to 28 February 2013.

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

# III.	AUDIT RESULTS

11.	The UNISFA governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of assets in UNISFA**. OIOS made six recommendations to address the issues identified. UNISFA had been inspecting, processing and managing its assets, 83 per cent of which were transferred from UNMIS. However, these tasks had been challenging and slow due to a number of constraints, including the lack of clear strategy, plan and timetable to complete critical tasks such as inspection and recording of assets. As a result, the Galileo database was not accurate and up-to-date.

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

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of assets and inventory in UNISFA	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

# A.	Regulatory framework

Critical property management tasks needed to be completed

13.	Since April 2012, UNISFA had been inspecting and processing the assets and inventory transferred from UNMIS. However, these activities were slow. As at March 2013, UNISFA had not inspected about 20 per cent of the assets received from UNMIS. The following were noted:

(a)	The exact number of containers with assets transferred from UNMIS had not been established. In October 2012, UNISFA informed OIOS that it had received over 1,500 containers. However, in March 2013, Galileo records showed that 1,008 containers were transferred from UNMIS. In April 2013, UNISFA again advised that the actual number of containers transferred was 1,194;

(b)	UNISFA was unable to locate 17 of the 20 containers recorded in Galileo as inspected;

(c)   Self-accounting units, including Communication and Information Technology, Engineering and Transport Sections estimated that the majority of assets received from UNMIS were obsolete and not useful. However, they had not recommended their write-off to the Local Property Survey Board. Only 153 assets valued at $275,966 were shown as pending write-off; and

(d)   In preparation for IPSAS, UNISFA had planned to conduct 66 physical verifications of assets during October and November 2012 and February and April 2013; but these were not fully conducted. UNISFA had not conducted physical verification at 57 of the 66 locations at the time of the audit. As a result, Galileo records were not accurate and up-to-date. OIOS physical verification of assets identified several discrepancies including: (i) assets recorded in Galileo that could not be located; (ii) assets reported as "in stock" but were in-use; (iii) physical location of some assets did not agree to the locations recorded in Galileo; and (iv) assets stored in warehouses that were not recorded in Galileo. Additionally, as at April 2013, UNISFA had verified only 58 per cent of inventory.

14.   The delays were attributed to lack of adequate planning and monitoring by UNISFA of the implementation of tasks and lack of warehouses. As a result, once inspected, assets were loaded in containers without labeling or physically setting aside containers.

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(1) UNISFA should implement appropriate procedures including a plan of action to ensure that critical property management tasks are completed in a timely manner, including: (a) establishing the existence of all containers and the actual condition of their contents; (b) updating Galileo; (c) processing the disposal of assets that are considered obsolete; and (d) conducting a complete physical verification of property, plant, equipment and inventory.

UNISFA accepted recommendation 1 and stated that it had established the existence of all containers and the actual condition of their contents. It was in the process of conducting physical inspection of assets and inventory and the Galileo database would be updated. UNISFA would commence the disposal of obsolete assets in November 2013. Recommendation 1 remains open pending receipt of evidence that the content and condition of assets in all containers have been established, Galileo records updated and obsolete assets have been disposed off.

(2) UNISFA should take appropriate action to ensure that there are adequate warehousing facilities for safeguarding of assets.

UNISFA accepted recommendation 2 and stated that it had identified a site to build warehousing facilities. Recommendation 2 remains open pending receipt of evidence that adequate warehousing facilities for the safeguarding of assets are in place.

Available assets were not taken into account in the acquisition planning process

15.   The Department of Peacekeeping Operations/Field Support Property Management Manual stated that available assets must be taken into consideration during acquisition planning. However, this was not done. UNISFA raised 417 purchase orders, valued at $34.8 million, between 24 July 2012 and 12 March 2013 for items that were not in the 2011/12 and 2012/13 acquisition plans and might have already been available in stock from UNMIS. UNISFA advised that acquisition plans were prepared in consultation with the Department of Field Support, but these consultations were not documented and could therefore not be verified.

> **(3) UNISFA should formalize its acquisition planning and ensure compliance with the Department of Peacekeeping Operations/Field Support Property Management Manual regarding the identification of asset requirements.**
>
> *UNISFA accepted recommendation 3 and stated that the Property Management Section and Property Control and Inventory Unit were collaborating with the self-accounting units to identify surplus and obsolete assets. Thereafter, the self-accounting units would be able to adequately forecast the Mission's asset requirements.* Recommendation 3 remains open pending receipt of evidence that UNISFA took existing assets and inventory into account when preparing the acquisition plan for the 2014/15 financial year.

The Movement Control Unit did not maintain a complete, accurate register of incoming shipments

16.   The Property Management Manual required the Movement Control Unit (MovCon) to monitor and control all incoming cargo deliveries, provide the Receiving and Inspection Unit with information about the consignment, and enter the information in Galileo. MovCon did not maintain a complete and accurate register of incoming shipments. The register maintained by the Receiving and Inspection Unit showed that 92 shipments had been received. However, although MovCon had provided the Unit with related delivery/shipping documents, only 28 of these were recorded in the MovCon register. Additionally, the MovCon register did not contain the actual receipt of these 28 shipments. There was an unmitigated risk that goods received were not properly accounted for and recorded in the books of account.

> **(4) UNISFA should maintain a Movement Control Unit register that accurately records all incoming shipments.**
>
> *UNISFA accepted recommendation 4 and stated that MovCon was now maintaining a record of all incoming shipments on an Excel spreadsheet.* Based on the action taken by UNISFA, recommendation 4 has been closed.

Inadequate assignment of access rights in Galileo

17.   The Property Management Manual required that access to a database such as Galileo should be properly controlled and access discontinued if no longer required. A review of the access rights of Galileo users indicated that users had been assigned access rights that were inconsistent and/or incompatible with their duties and responsibilities. There were also personnel no longer in the Mission, including an individual contractor, who still had access rights to Galileo.

18.   Staff members were assigned access rights in Galileo based on approved requests from their respective section chiefs. However, the Property Control and Inventory Unit was not reviewing the requests to ensure that they were consistent with the duties and responsibilities of staff. Inappropriate access privileges in Galileo resulted in an unmitigated risk of unauthorized access.

> **(5) UNISFA should review the list of active users in Galileo and ensure that access rights are aligned with staff members' functions. Controls should be established to ensure that access rights are discontinued when functions change or staff members depart from the Mission.**
>
> *UNISFA accepted recommendation 4 and stated that the Property Control and Inventory Unit had reviewed the list of staff members and identified 45 active Galileo users.* Recommendation 4 remains open pending OIOS verification that all active users are current UNISFA employees and

are assigned access rights that are consistent with their duties and responsibilities.

Mandatory reporting on the results of key performance indicators was not performed.

19.   Self-accounting units and the Property Management Section were not reviewing and reporting on key performance indicators as stipulated in the Department of Field Support Directive on Property Management and the revised standard operating procedures for monitoring key performance indicators. The monthly inventory reports and quarterly performance reports on key performance indicators had not been prepared. UNISFA advised that this was attributed to the lack of adequate staff. There was a need to provide further guidance to self-accounting units on reporting requirements.

(6) UNISFA should implement adequate arrangements for reviewing and reporting progress made against key performance indicators.
UNISFA accepted recommendation 6 and stated that regular meetings between the Property Management Section, Property Control and Inventory Unit and self-accounting units were being held to review and report on progress against key performance indicators. UNISFA had submitted the first report for the quarter ended 30 September 2013 to the Department of Field Support. Based on the action taken by UNISFA, recommendation 5 has been closed.

IV.   ACKNOWLEDGEMENT

20.   OIOS wishes to express its appreciation to the Management and staff of UNISFA for the assistance and cooperation extended to the auditors during this assignment.

(*Signed*) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of asset management in the United Nations Interim Security Force for Abyei

Recom. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
1	UNISFA should implement appropriate procedures including a plan of action to ensure timely completion of critical property management tasks including: (a) establishing the existence of all containers and the actual condition of their contents; (b) updating Galileo; (c) processing the disposal of assets that are considered obsolete; and (d) conducting a complete physical verification of property, plant, equipment and inventory.	Important	O	Receipt of evidence that the content and condition of assets in all containers have been established, Galileo records are updated and obsolete assets are disposed of.	March 2014
2	UNISFA should take appropriate action to ensure that there are adequate warehousing facilities for safeguarding of assets.	Important	O	Receipt of evidence that adequate facilities for safeguarding of assets are in place.	March 2014
3	UNISFA should formalize its acquisition planning and ensure compliance with the Department of Peacekeeping Operations / Field Support Property Management Manual regarding the identification of asset requirements.	Important	O	Receipt of evidence that UNISFA took existing assets and inventory into account when preparing the acquisition plan for the 2014/15 financial year.	March 2014
4	UNISFA should maintain a Movement Control Unit register that accurately records all incoming shipments.	Important	C	Action taken.	Implemented

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[1] Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.
[2] Important recommendations address important deficiencies or weaknesses in governance, risk management or internal 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 UNISFA in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of asset management in the United Nations Interim Security Force for Abyei

Recom. no.	Recommendation	Critical[1]/ Important[2]	C/ O[3]	Actions needed to close recommendation	Implementation date[4]
5	UNISFA should review the list of active users in Galileo and ensure that access rights are aligned with staff members' function. Controls should be established to ensure that access rights are discontinued when functions change or staff members depart from the Mission.	Important	O	OIOS verification that all active users are current UNISFA employees and are assigned access rights that are consistent with their duties and responsibilities.	November 2013
6	UNISFA should implement adequate arrangements for reviewing and reporting progress made against key performance indicators.	Important	C	Action taken	Implemented

APPENDIX I

Management Response

NATIONS UNIES   UNITED NATIONS

UNISFA

United Nations Interim Security Force for Abyei

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INTER-OFFICE MEMORANDUM

11 November 2013
Ref: CMS/IOM/2013/098

TO: Ms. Eleanor T. Burn, Chief
Peacekeeping Audit Service
Internal Audit Division, OIOS

FROM: Lt. Gen. Yohannes Tesfamariam
Head of Mission
UNISFA

SUBJECT: <u>Assignment No. AP2013/633/05 - OIOS audit of asset management in UNISFA</u>

1. Further to your memorandum of 17 October 2013 forwarding the subject draft report, attached please find Mission response to the recommendations contained in the report.

2. Please find attached also a Microsoft Word copy of this response.

3. Thank you and best regards.

cc: CMS
      OIC ISS
      CES
      CPMS
      CCITS
      CCAMU

MANAGEMENT RESPONSE

Audit of asset management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical[5]/ Important[6]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNISFA should implement appropriate procedures including a plan of action to ensure timely completion of critical property management tasks including: (a) establishing the existence of all containers and the actual condition of their contents; (b) updating Galileo; (c) processing the disposal of assets that are considered obsolete; and (d) conducting a complete physical verification of property, plant, equipment and inventory.	Important	Yes	Chief Property Management/Property Control and Inventory Unit (PCIU)/Property Disposal Unit(PDU)	Implemented 30 November 2013 31 March 2014	(a) Implemented. The existence of all containers and the actual condition of their contents has been established. Please see evidence issued to Auditors for verification. (b) Galileo updating is ongoing. (c) Mission was not able to undertake any disposal during June – October 2013 due to rainy season. PDU will commence final disposal of 211 written off assets by 30 November 2013. (d) Physical inspection of plant, property and equipment (PPE) and inventory are ongoing. The overall Galileo updates on expendable property inventory has reached only 3.1%, thus self-accounting Units (SAUs) have been strongly urged to expedite their updates.
2	UNISFA should take appropriate action to ensure that there are adequate warehousing facilities for safeguarding of assets.	Important	Yes	Chief Engineering and Chief Property Management/SAUs	31 March 2014	The site has been identified to build warehousing facilities. New container yard area is under preparation near ESKO camp adjacent to UNISFA Abyei Headquarters compound.

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[5] Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.
[6] Important recommendations address important deficiencies or weaknesses in governance, risk management or internal 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 asset management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical[5]/ Important[6]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	UNISFA should formalize its acquisition planning and ensure compliance with the Department of Peacekeeping Operations / Field Support Property Management Manual regarding the identification of asset requirements.	Important	Yes	Chief Property Management/SAUs	31 March 2014	Property Management Section/PCIU in collaboration with SAU through regular meeting have started identifying surplus and obsolete assets for write-off and hence SAU have initiated write-of for 454 assets with depreciation value of $624,913.74 Please see minutes of meeting issued to Auditors as evidence for verification. This will now enable SAUs to forecast the assets requirements to formalize its acquisition plan.
4	UNISFA should maintain a Movement Control Unit register that accurately records all incoming shipments.	Important	Yes			Implemented and considered closed by OIOS as per Para 22 of the draft report.
5	UNISFA should review the list of active users in Galileo and ensure that access rights are aligned with staff members' function. Controls should be established to ensure that access rights are discontinued when functions change or staff members depart from the Mission.	Important	Yes	Chief Property Management/ Property Control & Inventory Unit	Recommendation as good as implemented	The recommendation is as good as implemented. The lists of 45 active Galileo users have been identified. PCIU is reviewing staff list and deleting users that have check-out from mission (Please see the list of active Galileo users issued as evidence to Auditors for verification).

MANAGEMENT RESPONSE

Audit of asset management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical[5]/ Important[6]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
6	UNISFA should implement adequate arrangements for reviewing and reporting progress made against key performance indicators.	Important	Yes	Chief Property Management/ Property Control & Inventory Unit	Implemented	Implemented. A regular meeting between Property Management Section/PCIU and SAUs are being held to review and report on the progress made against key performance indicators. First quarterly report for the third quarter ending 30 September 2013 was submitted to DFS in Headquarters. (Please see evidence issued to Auditors for verification).