



INTERNAL AUDIT DIVISION

REPORT 2015/012

Audit of the Headquarters Property Survey Board

Overall results relating to effective and efficient rendering of written advice by the Headquarters Property Survey Board in respect of loss, damage, impairment or other discrepancy regarding United Nations property were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

19 February 2015
Assignment No. AH2014/510/03

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AUDIT REPORT

Audit of the Headquarters Property Survey Board

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Headquarters Property Survey Board (HPSB).

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. HPSB was established pursuant to United Nations Financial Regulations and Rules to render written advice and recommendations in respect of loss, damage, impairment or other discrepancy regarding the property, plant and equipment, inventories and intangible assets of the United Nations. The Board is responsible for reviewing proposals to dispose of or write off United Nations property and: (i) determine whether the relevant regulations and rules had been complied with; (ii) determine whether any staff member had financial responsibility for any loss or damage of property; and (iii) advise the Assistant Secretary-General for Central Support Services (ASG/OCSS) or the Controller of the results of its review.

4. HPSB is responsible for reviewing property disposal cases from United Nations Headquarters (UNHQ) as well as disposal cases submitted by Local Property Survey Boards (LPSB) at peacekeeping missions, offices away from headquarters and regional commissions relating to: gifts, donations or other free transfer of assets; sale of assets at a nominal price; or disposal of assets valued at \$25,000 or more.

5. HPSB comprises a Chairperson or Deputy Chairperson from the Office of the Under-Secretary-General for Management and members from the Office of Legal Affairs and the Office of Programme Planning, Budget and Accounts. A secretariat supports the HPSB.

6. During the period 1 January 2012 and 30 June 2014, HPSB rendered written advice on the write-off of assets with an inventory value of approximately \$167 million and a depreciable amount of \$24 million. In this period, HPSB received 707 cases and completed the review of 580 cases during 40 meetings. Cases received from peacekeeping missions accounted for 78 per cent of the HPSB caseload; while 22 per cent came from UNHQ as shown in table 1.

Table 1: Cases received by Headquarters Property Survey Board from January 2012 to June 2014

Year	Total		Peacekeeping			Headquarters		
	Cases	Depreciable amount	Cases	Depreciable amount	Per cent	Cases	Depreciable amount	Per cent
2012	340	12 323 930	264	9 994 998		76	2 328 932	
2013	288	13 792 057	228	13 042 128		60	749 929	
2014	79	2 201 055	61	1 746 915		18	454 140	
Total	707	28 317 042	553	24 784 041	78	154	3 533 001	22

Source: HPSB case database

7. Comments provided by the Department of Management are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

8. The audit was conducted to assess the adequacy and effectiveness of HPSB governance, risk management and control processes in providing reasonable assurance regarding **effective and efficient rendering of written advice in respect of loss, damage, impairment or other discrepancy regarding United Nations property**.

9. The audit was included in the 2014 OIOS risk-based work plan due to risks related to the activities of HPSB.

10. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined regulatory framework as controls that provide reasonable assurance that policies and procedures: (i) exist to guide the activities of HPSB; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of operational information.

11. The key control was assessed for the control objectives shown in table 2.

12. OIOS conducted this audit from June to October 2014 and covered the period from 1 January 2012 to 30 June 2014.

13. 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. The audit reviewed HPSB: (i) roles and responsibilities; (ii) quality control procedures; (iii) timeliness of reviews; and (iv) procedures for reporting significant recurrent noncompliance issues. OIOS also analyzed the HPSB case database and selected a sample of 30 cases for detailed review.

III. AUDIT RESULTS

14. The HPSB governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding **effective and efficient rendering of written advice in respect of loss, damage, impairment or other discrepancy regarding United Nations property**. OIOS made three recommendations to address issues identified in this audit. HPSB rendered value added advice to ASG/OCSS and also provided training and guidance to LPSB members on property disposal. However, the terms of reference and membership eligibility requirements for HPSB were not established. The revised property management framework implemented by ASG/OCSS to derecognize assets did not clarify the role of HPSB in the review of the property derecognition process at UNHQ. HPSB did not develop internal performance indicators to improve timeliness of its review of property disposal cases.

15. The initial overall rating was based on the assessment of key controls presented in table 2 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

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.

Table 2: 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 and efficient rendering of written advice in respect of loss, damage, impairment or other discrepancy regarding United Nations property	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

Need to formally establish the terms of reference and membership eligibility criteria of the Headquarters Property Survey Board

16. According to the Financial Rule on review bodies related to property management, the Under-Secretary-General for Management was required to establish the composition and terms of reference of HPSB.

17. The only available guidance on the membership of HPSB was an annex to the Secretary-General's 1976 bulletin on the Organization of the Secretariat, which outlined the offices that were to be represented on the Board. There was no administrative instruction specifying the terms of reference for HPSB, the membership eligibility requirements and the tenure of Board members.

18. The HPSB secretariat stated that discussions were held several years ago to develop a relevant administration instruction but no action was taken pending the implementation of International Public Sector Accounting Standards.

19. Lack of formal terms of reference to guide HPSB operations could impact the proper functioning of the Board due to lack of clarity of their full responsibilities.

(1) The Department of Management should establish the terms of reference and membership eligibility criteria for the Headquarters Property Survey Board as required by the Financial Rule on review bodies related to property management.

The Department of Management accepted recommendation 1 and stated that the HPSB secretariat would propose a draft administrative instruction on HPSB for consideration by the Office of the Under-Secretary-General for Management, OCSS and the Office of Programme Planning, Budget and Accounts; and a review by other offices such as the Office of Legal Affairs. Recommendation 1 remains open pending promulgation of the administrative instruction on HPSB.

The property derecognition review process for the United Nations Headquarters needed to be clarified

20. The United Nations policy framework for International Public Sector Accounting Standards stipulated that an item of property, plant and equipment should be derecognized once its disposal is approved. Prior to derecognition, the asset needed to be impaired. The Financial Rule on review bodies related to property management required that where the advice of a review body was required, no final action in respect of United Nations property loss, damage, impairment or other discrepancy was to be taken before such advice was received.

21. ASG/OCSS issued a memorandum to provide guidelines on changes to the property management framework to ensure that new financial requirements, stipulated in the revised Financial Regulations and Rules and defined in the United Nations policy framework for International Public Sector Accounting Standards, were met. However, the guidelines did not clarify the derecognition review process for property held by UNHQ. According to the guidelines, the derecognition point for property valued \$25,000 or more held by offices other than UNHQ was the time when the designated official approved the LPSB recommendation to derecognize the assets prior to submission of the case to HPSB. The guidelines were silent on which survey body's recommendations were required at UNHQ, since there was no LPSB at Headquarters. Some of the designated officials at UNHQ interpreted that they could derecognize property without the advice of HPSB, which would be a contravention of the Financial Rule.

22. OCSS stated that the entire write-off/disposal process needed to be revised in line with the delegation of property management authority issued by the ASG/OCSS to ensure prompt derecognition of assets.

23. Without appropriate review by HPSB of property derecognition cases at UNHQ, there was the risk that designated officials may take inappropriate and/or unauthorized action in respect of disposal of United Nations property.

(2) OCSS should clarify the role of HPSB in the derecognition process for property held by United Nations Headquarters to ensure compliance with the Financial Rules.

OCSS accepted recommendation 2 and stated that OCSS would clarify the role of HPSB in the derecognition process, as part of its current effort to update the guidelines. Recommendation 2 remains open pending clarification of the role of HPSB in the derecognition process for property held by UNHQ.

The Headquarters Property Survey Board did not implement indicators to measure the timeliness of case processing

24. An organisation should select and develop control activities that mitigate risks to the achievement of its objectives.

25. HPSB developed guidelines for reviewing property disposal cases to ensure consistent application of relevant rules and instructions and taking into account established policies and practices. HPSB maintained a database to record receipt of cases, implemented quality control procedures in the case review process and accurately recorded minutes of meetings. A review of minutes related to the sample of 30 cases selected for detailed review indicated that HPSB members thoroughly deliberated cases before rendering written advice to the ASG/OCSS. HPSB recommendations were accepted by the ASG/OCSS and where necessary, the Controller. Significant recurring issues were highlighted for their attention.

26. HPSB also developed and provided on-line and in-person training courses and a briefing folder to LPSB members. The guidance was developed to provide a good understanding of the role and function of the LPSB, promote common understanding of the process and practices, and ensure consistent vetting, leading to consistent decision making. As of 30 September 2014, approximately 270 users had accessed and completed the on-line training.

27. However, HPSB did not develop performance indicators to measure and ensure timeliness of its review of disposal cases. HPSB took an average of 95 days to review each of the 580 cases received during the period covered by the audit.

28. The indicators of achievement for HPSB in the Department of Management's budget for 2014-2015 did not include timeliness of case processing but focussed only on the number of meetings held and the number of cases reviewed.

29. Without indicators on the timeliness of case processing, the efficiency of HPSB reviews of property disposal cases could not be determined.

(3) The Office of the Under-Secretary-General for Management should develop indicators to measure the timeliness of the review of property disposal cases by the Headquarters Property Survey Board.

The Office of the Under-Secretary-General for Management accepted recommendation 3 and stated that the HPSB secretariat would work with Board members from the Office of Legal Affairs and the Office of Programme Planning, Budget and Accounts to develop guidelines for more efficient case review and indicators to measure case processing time. The HPSB secretariat was obtaining an electronic log system/time stamp to record the receipt of all cases. Recommendation 3 remains open pending receipt of the guidelines developed to measure efficiency of HPSB review of property disposal cases.

IV. ACKNOWLEDGEMENT

30. OIOS wishes to express its appreciation to the Management and staff of the Department of Management 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 the Headquarters Property Survey Board

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The Department of Management should establish the terms of reference and membership eligibility criteria for the Headquarters Property Survey Board as required by the Financial Rule on review bodies related to property management.	Important	O	Promulgation of the administrative instruction on HPSB.	31 January 2016
2	OCSS should clarify the role of HPSB in the derecognition process for property held by United Nations Headquarters to ensure compliance with the Financial Rules.	Important	O	Clarification of the role of HPSB in the derecognition process for the property held by UNHQ.	31 July 2015
3	The Office of the Under-Secretary-General for Management should develop indicators to measure the timeliness of the review of property disposal cases by the Headquarters Property Survey Board.	Important	O	Submission of the guidelines developed to measure efficiency of HPSB review of property disposal cases.	31 July 2015

² 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.

³ 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.

⁴ C = closed, O = open

⁵ Date provided by the Department of Management in response to recommendations.

APPENDIX I

Management Response

United Nations  Nations Unies
INTEROFFICE MEMORANDUM MEMORANDUM INTERIEUR

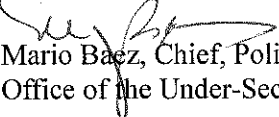
CONFIDENTIAL

TO: Ms. Muriette Lawrence-Hume, Officer-in-Charge
A: New York Audit Service, Internal Audit Division, OIOS

DATE: 6 February 2015

THROUGH:  Christian Saunders, Director
Office of Under-Secretary-General for Management

REFERENCE IAD: 15-00026

FROM:  Mario Baez, Chief, Policy and Oversight Coordination Service
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on an audit of the Headquarters Property Survey Board (Assignment No. AH2014/510/03)**
OBJET: **AH2014/510/03)**

1. With reference to your memorandum dated 19 January 2015, please find the Management comments to the recommendations in the draft report in the attached Annex I.

2. We note that the information in paragraph 5 of the draft report is not accurate and suggest that it be revised as follows:

“HPSB comprises a Chairperson or Deputy Chairperson from the Office of the Under-Secretary-General for Management and members from the Office of Legal Affairs and the Office of Programme Planning, Budget and Accounts. A secretariat, comprising a number of secretaries, supports the HPSB.”

3. Thank you for giving us the opportunity to provide comments on the draft report.

AUDIT RECOMMENDATIONS

Audit of the Headquarters Property Survey Board

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Department of Management should establish the terms of reference and membership eligibility criteria for the Headquarters Property Survey Board as required by the Financial Rule on review bodies related to property management.	Important	Yes	Chairperson, HPSB	31 January 2016	The HPSB secretariat will propose a draft administrative instruction for consideration by: the Office of the Under-Secretary-General for Management; the Office of the Assistant Secretary-General, OCSS; the Office of the Assistant Secretary-General, OPPBA; and other interested offices. The administrative instruction will also be reviewed by other offices, such as the Office of Legal Affairs (OLA).
2	OCSS should clarify the role of HPSB in the de-recognition process for property held by United Nations Headquarters to ensure compliance with the Financial Rules.	Important	Yes	Director, Facilities and Commercial Services Division, OCSS	31 July 2015	OCSS will clarify HPSB's role in the de-recognition process, in part of its current effort to update/clarify the guidelines.

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.

AUDIT RECOMMENDATIONS

Audit of the Headquarters Property Survey Board

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	The Office of the Under-Secretary-General for Management should develop indicators to measure the timeliness of the review of property disposal cases by the Headquarters Property Survey Board.	Important	Yes	Chairperson, HPSB	31 July 2015	Existing HPSB performance indicators set a target for the number of meetings annually and the number of cases to be reviewed. The HPSB secretariat will work with Board members from OLA and OPPBA to develop guidelines for more efficient case review and indicators to measure case processing time. The HPSB secretariat is currently obtaining an electronic log system / time stamp to record the receipt of all cases.