



INTERNAL AUDIT DIVISION

REPORT 2016/073

Audit of asset management in the
United Nations Organization
Stabilization Mission in the Democratic
Republic of the Congo

Overall results relating to the effective
management of assets were initially
assessed as partially satisfactory.
Implementation of eight important
recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

7 July 2016
Assignment No. AP2015/620/01

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AUDIT REPORT

Audit of asset management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
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. In July 2015, MONUSCO established a supply chain management model to improve efficiency, responsiveness and effectiveness in asset management. At the time of the audit, the Mission was implementing the foundation phase of the supply chain management model, which included inventory verification to ensure that the data captured in Galileo is complete and accurate.
4. The Director of Mission Support is responsible for the overall management of the Mission's assets consisting of property, plant and equipment (PPE) and inventory. The self-accounting units (commodity managers), namely Communication and Information Technology, Engineering, Transport, Supply, and Medical Sections are responsible and accountable for assets entrusted to them. The Property Control and Inventory Section (PCIS) within the Office of Supply Chain Management is responsible for accounting, physical verification, control of property and maintaining accurate, reliable and complete property records in Galileo. The Property Disposal Section is responsible for identifying disposal property, new disposal networks and refining the categorization of disposal property. The Integrated Warehouse is responsible for overseeing all warehouse operations such as receiving, inspection, storing, dispatching and shipping, and impairment testing and writing off inventory. As of 31 October 2015, MONUSCO had recorded in Galileo 46,072 assets costing \$388.2 million. The Mission uses Galileo for managing its PPE and inventory.
5. The Office of Supply Chain Management was headed by a staff member at the D-1 level (reporting to the Director of Mission Support), supported by 303 staff comprising: 187 national staff, 65 international staff, 48 United Nations Volunteers and 3 individual contractors. The budget for the Office of Supply Chain Management for fiscal year 2015/16 was \$203.9 million.
6. Comments provided by MONUSCO are incorporated in italics.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of MONUSCO governance, risk management and control processes in providing reasonable assurance regarding the **effective management of assets in MONUSCO**.
8. The audit was included in the 2015 risk-based work plan of OIOS because of the financial and operational risks related to the management of assets in MONUSCO.

9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of assets in MONUSCO; (b) are implemented consistently; 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 December 2015 to March 2016. The audit covered the period from January 2014 to December 2015. The audit team made site visits to Goma, Bukavu and Bunia.

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 and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

13. The MONUSCO governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of assets in MONUSCO**. OIOS made eight recommendations to address the issues identified. MONUSCO needed to: (i) implement effective monitoring and supervisory controls related to reporting against key performance indicators (KPIs) pertaining to asset management; (ii) conduct periodic reviews of its assets and develop preliminary asset disposal and contingency liquidation plans; (iii) establish and implement effective procedures for the disposal of assets acquired under End User Certificates; (iv) assess the training needs of its Galileo users and provide training based on the assessment; (v) implement an effective expendable cycle count programme to ensure that all commodity managers perform and properly document their cycle counts, take corrective actions and report on the related KPIs; (vi) inspect its communication and information technology equipment in the warehouses without changing the status of the equipment; (vii) implement an annual impairment review plan; and (viii) implement effective controls for handover and the relocation of assets.

14. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of eight 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 of assets in MONUSCO	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 implement effective monitoring and supervisory controls to improve asset management

15. The Department of Peacekeeping Operations (DPKO) Property Management Manual and the Department of Field Support (DFS) standard operating procedures on KPIs require commodity managers to: (a) reconcile discrepancies identified during their physical verification against the records in Galileo; (b) complete the write-off of assets not found within 90 to 120 days; (c) complete the disposal of assets by commercial sale within 180 to 210 days from write-off initiation date; and (d) keep the backlog of assets pending write-off to less than 10 per cent.

16. OIOS interviews with responsible staff, review of KPIs and discrepancy reports for the period from January 2014 to December 2015, analysis of discrepancies as at April 2015 and 31 October 2015, review of assets pending disposal in Galileo, and review of the property management report for the quarter ending 30 June 2015 indicated that commodity managers had reconciled 91 per cent of discrepancies identified during their physical verification against the records in Galileo instead of the required 100 per cent. However, MONUSCO did not achieve the KPIs for initiating and completing write-offs. For instance: (a) the write-off process took on average 170 days compared to the maximum of 120 days; (b) time taken for disposal by commercial sale averaged 250 days compared to the maximum of 210 days; and (c) the backlog of plant and equipment pending write-off was at 98 per cent against the target of 10 per cent.

17. The above resulted because management was not adequately monitoring and supervising the processes to ensure achievement of KPIs for asset management. For instance, the Division of Mission Support did not have procedures to monitor and take appropriate action to ensure that: (a) commodity managers and contingents updated Galileo in a timely manner after identifying discrepancies despite repeated reminders from PCIS; (b) commodity managers were not collecting the information needed to calculate and monitor the time taken to locate assets not found during physical verifications; and (c) investigations for missing assets were not completed timely as these took on average, nine months. As a result, there was a risk that MONUSCO may be unable to plan for its operational requirements, and that the Mission's financial statements may be inaccurate.

(1) MONUSCO should implement effective monitoring and supervisory controls related to: (i) timely completion of write-off and disposal actions; (ii) reduction of the backlog of assets pending write-off; and (iii) monitoring of performance against key performance indicators.

MONUSCO accepted recommendation 1 and stated that it would ensure achievement of established key performance indicators for asset management by clearing the backlog of assets pending write-off and was preparing standard operating procedures on the disposal of assets through competitive bidding. Recommendation 1 remains open pending receipt of evidence that MONUSCO has implemented effective monitoring and supervisory controls to improve asset management.

Need to ensure compliance with applicable instructions on donation of assets and accurate recording of transactions in Galileo

18. The DFS/DPKO Property Management Manual requires the Mission to: record all transactions relating to United Nations-owned equipment in Galileo; and obtain prior approval from the Headquarters Property Survey Board (HPSB) and the General Assembly for the donation of assets. The DFS

instructions on disposal of equipment require MONUSCO not to donate or sell to third parties items provided to the United Nations under End User Certificates. The DFS Liquidation Manual requires MONUSCO to periodically review its assets, and develop and regularly update a contingency liquidation plan.

19. Interviews with relevant staff and review of assets records indicated that MONUSCO:

- Donated to local authorities 523 assets on 22 June 2015 that were deemed as surplus following the closure of its field offices. These included 22 assets with an acquisition cost of \$655,609 provided to the Mission under End User Certificates which, according to DFS instructions, could not be sold or donated to third parties;
- Did not properly record in Galileo that these 523 assets had been donated to local authorities as of December 2014. As of 31 December 2015, Galileo showed that of the 523 donated assets: (a) 487 were pending write-off; (b) 30 were available in stock; (c) 1 was in use; and (d) 5 were disposed of, however the disposal methods were recorded as sales and destruction as scrap instead of donation;
- Did not record in Galileo the condition of 6,176 of 40,557 assets considered as ‘in use’ and ‘in stock’ and did not update the condition of 32,565 of 34,381 assets for more than five years; and
- Reported 2,164 assets past their life expectancy as in good condition. However, physical inspection of a sample of 30 of these assets indicated that 17 were faulty and no longer in use.

20. The above resulted because MONUSCO did not: (i) establish and implement procedures for the disposal of assets acquired under End User Certificates; (ii) conduct periodic reviews of its assets and develop preliminary asset disposal and contingency liquidation plans; (iii) implement adequate and effective procedures to ensure proper accounting for assets during the Mission’s reconfiguration; and (iv) ensure adequate training of its Galileo users since only 10 out of 30 staff interviewed indicated that they had received formal training.

21. Due to the above deficiencies, MONUSCO asset records were inaccurate and unreliable. This increased the risk that the Mission may be unable to develop a contingency liquidation plan to assess its operational requirements in a realistic manner.

(2) MONUSCO should: (i) establish and implement proper procedures for the disposal of assets acquired under End User Certificates; (ii) conduct periodic reviews of its assets and develop preliminary asset disposal and contingency liquidation plans; and (iii) implement effective procedures to ensure accurate accounting of assets during future reconfigurations of the Mission.

MONUSCO accepted recommendation 2 and stated that it had notified all asset managers of limitations related equipment acquired with End User Certificates, and the fact that they could not be disposed of by gift or commercial sale. MONUSCO also stated that, as of June 2016, 99 per cent of its preliminary asset disposal plan for 2015/16 had been updated in Galileo and it would ensure compliance with the DFS/DPKO Property Management Manual with regards to the accurate accounting of assets during future reconfigurations. Recommendation 2 remains open pending receipt of evidence that MONUSCO has: (i) established and implemented procedures for the disposal of assets acquired under End User Certificates; (ii) conducted periodic

reviews of its assets and developed preliminary asset disposal and contingency liquidation plans; and (iii) implemented procedures to ensure accurate accounting of assets during future reconfigurations.

- (3) MONUSCO should assess the training needs of its Galileo users and ensure that necessary training is provided.**

MONUSCO accepted recommendation 3 and stated that it had commenced training utilizing the Galileo reporting tool and would further conduct a more structured training regime during the next financial year. Recommendation 3 remains open pending receipt of evidence that MONUSCO has assessed the training needs of its Galileo users and provided the training.

Need to implement a cycle count programme for expendable property

22. DPKO/DFS guidelines of July 2013 on cycle count of expendable property and reconciliation of discrepancies in field missions require commodity managers to review stockholdings to identify slow-moving and surplus assets, and take corrective actions in accordance with a cycle count programme under the guidance and oversight of PCIS. It also requires the Mission to develop standard operating procedures for the expendable cycle count programme and report related KPIs.

23. Interviews with Supply Chain Management staff and commodity managers and review of cycle count reports of expendable property prepared between January 2014 and December 2015 and inventory reports indicated the absence of sufficient evidence that commodity managers adequately reviewed stockholdings to identify slow-moving, surplus expendables, and take corrective actions. As a result, as of December 2015, the Mission had 15.6 million expendable assets acquired between 2005 and 2014 with an acquisition cost of \$17.2 million that had never been used.

24. The above occurred because the Division of Mission Support had not taken action and adequately monitored to ensure that commodity managers were implementing an effective expendable cycle count programme to identify slow-moving and surplus assets, take corrective actions in respect of their expendable property, and report on the related KPIs. If regular cycle counts are not conducted there is an increased risk of procuring items that are not needed for operational requirements.

- (4) MONUSCO should implement an effective expendable cycle count programme to ensure that all commodity managers perform cycle counts to identify slow-moving and surplus expendable property, take corrective actions, and report on the related key performance indicators.**

MONUSCO accepted recommendation 4 and stated that it had established teams to conduct weekly cycle counts in all mission hubs. Recommendation 4 remains open pending receipt of evidence that MONUSCO has established teams that have conducted weekly cycle counts that identify slow-moving and surplus expendable property, taken corrective actions and reported on the related key performance indicators.

Need to ensure accuracy of performance indicators for assets held in stock

25. The DFS standard operating procedures on monitoring of KPIs for property management requires MONUSCO to achieve certain KPIs relating to stock levels for non-expendable items, i.e., items in stock should not exceed 20 per cent of all non-expendable items and the percentage of non-expandable items in stock for more than six months not to exceed 50 per cent.

26. OIOS review of the Mission’s monthly inventory and quarterly KPI reports, interviews with commodity managers’ staff and PCIS officers, and physical verification of 370 of 4,072 assets indicated that MONUSCO did not accurately report on its performance against the KPIs. For example, MONUSCO reported in 2015 that it achieved all KPIs for inventory holdings. However, the physical verification indicated that 102 of the 370 assets were incorrectly recorded in Galileo as issued (in use) although they were in stock, in the warehouse. This practice was happening mission-wide throughout the audit period.

27. The above resulted because, to ensure accountability for technical inspection purposes, the Communication and Information Technology Section reclassified assets from being ‘in stock’ to being ‘in use’ until the inspections were completed. However, the temporary reclassification caused the length of time that the assets were in stock to be reset to zero, although the assets were immediately returned to the warehouse.

28. As a result, MONUSCO records of assets in stock and the related KPIs periodically reported to DFS between January 2014 and December 2015 were inaccurate. During the period, the Communication and Information Technology Section equipment averaged 58 per cent of MONUSCO assets. Therefore, the reporting of KPIs during this period was substantially inaccurate.

(5) MONUSCO should establish and implement a mechanism to inspect its communication and information technology equipment in the warehouses without changing the status of the equipment as ‘in use’ while ensuring proper accounting of the equipment.

MONUSCO accepted recommendation 5 and stated that it would establish procedures for the inspection of communication and information technology equipment in warehouses. Recommendation 5 remains open pending receipt of a copy of the procedures issued by MONUSCO that ensures communication and information technology equipment is inspected in warehouses without changing their status as “in use”.

Need for annual impairment tests and review of plant and equipment

29. The International Public Sector Accounting Standards policy framework requires MONUSCO to conduct annual impairment tests for all items of communication, information technology, and machinery equipment with a net book value of over \$25,000 in accordance with an annual impairment review plan and instructions from the Logistics Support Division of DFS.

30. Interviews with the Supply Chain Management staff and review of impairment reports indicated that MONUSCO reported impairments of assets valued at \$558,175 in its financial statements for 2014/15. However, the Mission did not develop an annual impairment review plan and there was no evidence that it conducted impairment tests before preparing the impairment reports. As of December 2015, PCIS started to prepare an annual impairment review plan and identified 661 assets with a total net book value of \$40.8 million that qualified for impairment tests.

31. The Mission did not prepare an annual impairment review plan in 2014/15 because it had not established and implemented a monitoring and review mechanism to ensure that the plan was prepared and executed. As a result, MONUSCO was unable to identify and record the impairment of its assets, which increased the risk that its financial statements may be misstated.

(6) MONUSCO should establish and implement an annual impairment review plan to ensure compliance with the requirement of the International Public Sector Accounting Standards policy framework and the Logistics Support Division’s instructions.

MONUSCO accepted recommendation 6 and stated that it would conduct an impairment review study and carry out impairment reviews. Recommendation 6 remains open pending receipt of evidence that MONUSCO has established and implemented an annual impairment review plan.

Need to remove old assets from Mission premises in a timely manner

32. The contracts between MONUSCO and its vendors for collection of used tyres and oil from its premises require the vendors to remove the used tyres and oil within a week from the date of receipt of the Mission's request.

33. Interviews with staff of the Property Disposal Section, visits to property disposal yards and review of property disposal records indicated that in Bunia and Bukavu, while the contractors had collected a total of 32 tons of used tyres during 2015, over 60 tons of used tyres that had accumulated since January 2015 were still awaiting collection as of December 2015. Additionally, due to non-enforcement of the relevant contract in Bunia: seven tons of used oil had not been collected for over six months; and 43 drums of oil filters had accumulated for two years. In December 2015, the Mission procured another vendor for disposal of used oil.

34. The accumulated hazardous waste in the Mission premises posed potential threats to the environment and public health.

(7) MONUSCO should enforce the terms of its contract for tyre collection and have alternative vendors to ensure timely disposal of assets from its premises.

MONUSCO accepted recommendation 7 and stated that it had identified an alternative solution to dispose of used tyres through a contract in Entebbe that was more responsive to the Mission's needs. Recommendation 7 remains open pending receipt of evidence that MONUSCO has implemented procedures to ensure the timely disposal of assets from its premises.

Need to improve control over movement and handover of assets

35. The DFS/DPKO Property Management Manual and MONUSCO standard operating procedures for property control and inventory require commodity managers to obtain duly completed and signed hand over vouchers in all cases of assets transfer and timely update the inventory records. The MONUSCO standard operating procedures for property control and inventory require: (a) during scheduled military contingent rotations, commodity managers to ensure timely and proper handover of United Nations property from the departing military contingents to the newly arriving ones and to update Galileo accordingly; (b) staff not to relocate assets without prior authorization from the relevant commodity managers who must know at all times where the equipment is located.

36. Interviews with staff of the Office of Supply Chain Management and review of records of 500 of 46,072 Mission assets in Galileo indicated the following weaknesses in controls related to the movement of assets and documentation of asset handovers:

- Commodity managers did not obtain duly signed handover vouchers for 76 assets assigned to two military contingents from the departing military contingent officers between January and June 2015. As at 30 November 2015, Galileo still showed the assets under the names of the repatriated military officers;

- A staff transferred 19 sea containers to another staff in Galileo in Bukavu, without signed handover vouchers and the knowledge of the staff to whom the containers were transferred; and
- In July 2015, the Rations Unit sent six containers from Bukavu and Uvira to Beni without informing the Engineering Section (the concerned commodity manager). It took PCIS several months to locate the containers.

37. The above resulted because of a lack of effective supervisory controls to ensure timely and proper handover of United Nations property from the departing military contingent officers to newly arrived officers. There was also a lack of coordination between the end-users and the commodity managers regarding the movement of assets. Moreover, the Movement Control Unit did not require evidence of authorization of the commodity managers to move assets to other locations.

38. As a result, the location of assets and the assigned users were incorrectly recorded, thereby increasing discrepancies between the physical locations of assets and the locations recorded in Galileo. In addition, there was lack of evidence to support asset transfers and hold staff accountable for the assets recorded under their names.

(8) MONUSCO should implement effective controls to ensure that: (a) commodity managers obtain handover vouchers for transfer of United Nations-owned assets from departing to arriving military contingents; (b) all asset transfers in Galileo are supported by signed asset handover documents; and (c) the Movement Control Unit obtains evidence of authorization of the relevant commodity managers prior to moving assets to other locations.

MONUSCO accepted recommendation 8 and stated that it would pilot Radio Frequency Identification technology to ensure greater accuracy in the movement of assets around the Mission. Requests for the movement of assets would be made solely through the Integrated Warehouse/ Supply Chain Operations desk. Recommendation 8 remains open pending receipt of evidence that MONUSCO has implemented effective procedures to ensure that transfer of assets is adequately and timely documented, recorded and authorized.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
 Director, Internal Audit Division
 Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of asset management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MONUSCO should implement effective monitoring and supervisory controls related to: (i) timely completion of write-off and disposal actions; (ii) reduction of the backlog of assets pending write-off; and (ii) monitoring of performance against key performance indicators.	Important	O	Receipt of evidence that MONUSCO has implemented effective monitoring and supervisory controls to improve asset management.	1 December 2016
2	MONUSCO should: (i) establish and implement proper procedures for the disposal of assets acquired under End User Certificates; (ii) conduct periodic reviews of its assets and develop preliminary asset disposal and contingency liquidation plans; and (iii) implement effective procedures to ensure accurate accounting of assets during future reconfigurations of the Mission.	Important	O	Receipt of evidence that MONUSCO has: (i) established and implemented procedures for the disposal of assets acquired under End User Certificates; (ii) conducted periodic reviews of its assets and developed preliminary asset disposal and contingency liquidation plans; and (iii) implemented procedures to ensure accurate accounting of assets during future reconfigurations.	31 December 2016
3	MONUSCO should assess the training needs of its Galileo users and ensure that necessary training is provided.	Important	O	Receipt of evidence that MONUSCO has assessed the training needs of its Galileo users and provided the training based on the assessment.	1 September 2016
4	MONUSCO should implement an effective expendable cycle count programme to ensure that all commodity managers perform cycle counts to identify slow-moving and surplus expendable property, take corrective actions, and report on the related key performance indicators.	Important	O	Receipt of evidence that MONUSCO has established teams that have conducted weekly cycle counts that identify slow-moving and surplus expendable property, taken corrective actions and reported on the related key performance indicators.	31 December 2016
5	MONUSCO should establish and implement	Important	O	Receipt of a copy of the procedures	31 December 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 MONUSCO in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of asset management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	mechanisms to inspect its communication and information technology equipment in the warehouses without changing the status of the equipment as in use while ensuring proper accounting of the equipment.			issued by MONUSCO that ensures communication and information technology equipment is inspected in warehouses without changing their status as "in use."	
6	MONUSCO should establish and implement an annual impairment review plan to ensure compliance with the requirement of the International Public Sector Accounting Standards policy framework and the Logistics Support Division's instructions.	Important	O	Receipt of evidence that MONUSCO has established and implemented an annual impairment review plan.	1 December 2016
7	MONUSCO should enforce the terms of its contract for tyre collection and have alternative vendors to ensure timely disposal of assets from its premises.	Important	O	Receipt of evidence that MONUSCO has implemented procedures to ensure the timely disposal of assets from its premises.	31 December 2016
8	MONUSCO should implement effective controls to ensure that: (a) commodity managers obtain handover vouchers for transfer of United Nations-owned assets from departing to arriving military contingents; (b) all asset transfers in Galileo are supported by signed asset handover documents; and (c) the Movement Control Unit obtains evidence of authorization of the relevant commodity managers prior to moving assets to other locations.	Important	O	Receipt of evidence that MONUSCO has implemented effective procedures to ensure that transfer of assets is adequately and timely documented, recorded and authorized.	31 December 2016

APPENDIX I

Management Response



MONUSCO

Mission de l'Organisation des Nations Unies
pour la Stabilisation en République
démocratique du Congo

United Nations Organisation Stabilization
Mission in the Democratic Republic of Congo

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PROTECT

STABILIZE

CONSOLIDATE PEACE

INTEROFFICE MEMORANDUM

13 June 2016
Ref. ODMS/16/OM/02189

To: Mr. Bolton Tarleh Nyema, Chief
Peacekeeping Audit Service
Internal Audit Division

From: Guy Siri
Director of Mission Support
MONUSCO

Subject: **Management Response to Draft Audit Report – Asset Management in MONUSCO**
(Assignment No. AP2016/620/01)

1. Thank you for your interoffice memorandum reference IAD-16-12 dated 25 May 2016, requesting the Mission to provide comments on the recommendations in the draft audit report on asset management in MONUSCO.
2. Attached please find Appendix I - Management Response, for your consideration. Supporting documents will be provided to the Resident Audit Team.

Best regards.

Cc Mr. Richard Johnson, Officer-in-Charge, Supply Chain Management, MONUSCO
Mr. Carl Rhodes, Officer-in-Charge, Integrated Warehousing Section, MONUSCO
Ms. Kerry Zillner, Audit Focal Point, MONUSCO
Ms. Eleanor T. Burns, Director, Internal Audit Division, OIOS
Mr. Bright Kuya, OIC Chief Resident Auditor, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Attachment: Appendix I - Management Response

Peace it!

Management Response

Audit of asset management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO should implement effective monitoring and supervisory controls related for (i) timely completion of write-off and disposal actions; (ii) reduction of the backlog of assets pending write-off; and (ii) monitoring of performance against key performance indicators.	Important	Yes	OIC Supply Chain Management, Chief Claims Unit	1 December 2016	(i) Claims Unit will ensure achievement of established Key Performance Indicators (KPIs) for asset management by clearing the backlog of assets pending write-off; (ii) a revised Standard Operating Procedure (SOP) entitled "Disposal of Assets through Competitive Bidding", is currently under review pending approval. The current KPI for disposal by commercial sale within 180 days will be met by June 2016; (iii) as of 01 July 2015, MONUSCO PCIS has been evaluating KPIs for property management on a monthly basis to identify underperformance or critical shortfalls. In cases of underperformance, asset managers are engaged individually to provide justification/clarification and specify actions needed for improvement.
2	MONUSCO should: (i) establish and implement proper procedures for the disposal of assets acquired under End User Certificates; (ii) conduct periodic reviews of its assets and develop preliminary asset disposal and contingency liquidation plans; and (iii) implement effective procedures to ensure accurate accounting of assets during future reconfigurations of the Mission.	Important	Yes	OIC Supply Chain Management, SAU's	31 December 2016	(i) All asset managers have been notified of existing limitations of equipment acquired with End User Certificates, and the fact that they cannot be disposed of by gift or commercial sale. Where equipment has been mistakenly gifted in the past, guidance has been sought to rectify this; (ii) as of 06 June 2016, 99.42% of the MONUSCO preliminary asset disposal plan (PADP) 2015-2016 has been updated in

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 asset management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						Galileo IMS; (iii) ensure compliance with the DPKO Property Management Manual with regards to the accurate accounting of assets during future reconfigurations.
3	MONUSCO should assess the training needs of its Galileo users and ensure that necessary training is provided.	Important	Yes	OIC Supply Chain Management	1 September 2016	Some training has already begun utilizing the reporting tool of Galileo. Nonetheless with the changing of user roles in Galileo as a result of the establishment of the Supply Chain, a more structured training regime will be carried out during the next financial year of which indicative effectiveness will be demonstrated by September 2016 (1 st Quarter).
4	MONUSCO should implement an effective expendable cycle count programme to ensure that all commodity managers perform cycle counts to identify slow-moving and surplus expendable property, take corrective actions, and report on the related key performance indicators.	Important	Yes	OIC Supply Chain Management	31 December 2016	This recommendation has been implemented through teams established to conduct weekly cycle counts in all mission hubs.
5	MONUSCO should establish and implement mechanisms to inspect its communication and information technology equipment in the warehouses without changing the status of the equipment as in use while ensuring proper accounting of the equipment.	Important	Yes	OIC Integrated Warehouse Section	31 December 2016	The procedure will be reviewed and implemented subject to the ability to test equipment in situ. Where equipment needs to be removed from the storage locations, said equipment will need to be issued as per normal procedure. Procedures will be established within the first quarter of the financial year.
6	MONUSCO should establish and implement an annual impairment review plan to ensure compliance with the requirement of the International Public Sector Accounting Standards policy framework and the Logistics Support Division's instructions.	Important	Yes	OIC Integrated Warehouse Section	1 December 2016	The establishment of the Integrated Warehouse has been ongoing throughout the year and the establishment of impairment reviews has so far been unsuccessful in their execution. Acknowledgment of their importance has been highlighted in the Integrated Warehouse SOPs. There will be an impairment review study

Management Response

Audit of asset management in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						conducted in the first quarter of the 2016-17 financial year and a correct impairment review will be carried out during the course of the financial year.
7	MONUSCO should enforce the terms of its contract for tyre collection and have alternative vendors to ensure timely disposal of assets from its premises.	Important	Yes	OIC Supply Chain Management	31 December 2016	An alternative solution has been identified whereby used tyres are now being disposed of through an Entebbe contract which is more responsive to the Mission's needs.
8	MONUSCO should implement effective controls to ensure that: (a) commodity managers obtain handover vouchers for transfer of United Nations-owned assets from departing to arriving military contingents; (b) all asset transfers in Galileo are supported by signed asset handover documents; and (c) the Movement Control Unit obtains evidence of authorization of the relevant commodity managers prior to moving assets to other locations.	Important	Yes	OIC Supply Chain Management	31 December 2016	(a) Radio Frequency Identification (RFID) is being piloted as a way to ensure greater accuracy in the movement of assets around the mission; (b) all asset transfers in Galileo are currently handled by way of signed supporting documents; (c) Movement Control requests for the movement of assets, will be solely requested through the Integrated Warehouse/Supply Chain Operations desk that will be operationally established by 1 July 2016.