



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/093

Audit of the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory

Overall results relating to the preparedness to comply with the Standards on property, plant and equipment and inventory were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

**18 November 2013
Assignment No. AE2013/311/02**

CONTENTS

	<i>Page</i>
I. BACKGROUND	1-2
II. OBJECTIVE AND SCOPE	2-3
III. AUDIT RESULTS	
A. Regulatory framework	3-7
IV. ACKNOWLEDGEMENT	7
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

AUDIT REPORT

Audit of the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the preparedness of the United Nations Office at Geneva (UNOG) and its client organizations to comply with the International Public Sector Accounting Standards (IPSAS) on property, plant and equipment and inventory.

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 General Assembly, in its resolution 60/283 of 17 August 2006, approved the adoption of IPSAS by the United Nations for the preparation and presentation of the Organization's financial statements. The first set of IPSAS compliant financial statements for the United Nations Secretariat is scheduled for the fiscal year 1 January 2014 to 31 December 2014. The Department of Management has issued a policy framework for IPSAS that establishes the categories and thresholds for existing assets that will be reportable as property, plant and equipment and inventory.

4. UNOG, jointly with its main client organizations, notably the United Nations Conference on Trade and Development (UNCTAD), the Economic Commission for Europe (ECE), the Office for the Coordination of Humanitarian Affairs (OCHA), the Office of the High Commissioner for Human Rights (OHCHR), the United Nations International Strategy for Disaster Reduction (UNISDR), the United Nations Research Institute for Social Development (UNRISD), the United Nations Institute for Training and Research (UNITAR), the United Nations Compensation Commission (UNCC), the United Nations Institute for Disarmament Research (UNIDIR) and the Geneva Office of the United Nations Joint Staff Pension Fund (UNJSPF), has established a local IPSAS implementation team in Geneva. The responsibility for producing reliable, consolidated IPSAS relevant information rests with the UNOG Financial Resources Management Service and those client organizations that have been given delegation of authority for financial matters. The Property Management Unit of the Purchase and Transportation Section, located under UNOG Central Support Services, is responsible for managing the Geneva-based property for the client organizations of UNOG, and the client organizations manage the property in their field offices, as applicable, themselves. UNCTAD, OCHA, OHCHR and UNISDR have field offices.

5. The implementation of IPSAS at the United Nations requires the preparation of opening balances of reportable assets (i.e., real estate, property, plant and equipment, inventory and intangibles) as at 1 January 2014. An important prerequisite to the preparation of opening balances is the verification of existing assets through physical counts. In preparing opening balances of property, plant and equipment and inventory, UNOG will be able to build upon existing records of items classified under the present United Nations System Accounting Standards as non-expendable property and expendable property. UNOG was not required to keep detailed records of its real estate assets in the past and so has begun to compile registers of these assets anew. Table 1 shows the status of real estate and non-expendable property as at 31 December 2012 without any capitalization rate threshold. For purposes of recognition under IPSAS, the individual asset value threshold has since been established at \$20,000.

Table 1

Real estate and non-expendable (reportable) property assets as at 31 December 2012

Organization	Real Estate *	Non-expendable property (without capitalization rate threshold)	
	Number of items	Value (US\$) Geneva	Value (US\$) Field offices
UNOG	11	41,414,855	
UNCTAD		4,106,377	2,730,327**
ECE		1,432,074	
OCHA		2,621,041	35,201,942
OHCHR		4,494,695	10,620,995
UNISDR		292,800	281,248
UNRISD		63,811	
UNITAR		431,884	
UNCC		171,956	
UNIDIR		106,461	
UNJSPF Geneva		281,307	

Source: Based on data provided by UNOG Property Management Unit as at 31 December 2012.

Note: * Real estate data is based on preliminary information. The methodology for calculating real estate asset values has yet to be finalized by UNOG.

Note: **The amount stands for the value of the property UNCTAD has procured for its national projects. The property will be transferred to the beneficiary entities once the projects are completed.

6. Comments provided by UNOG, OCHA and OHCHR are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of the governance, risk management and control processes of UNOG and its client organizations in providing reasonable assurance regarding the **preparedness to comply with IPSAS on property, plant and equipment and inventory**.

8. The audit was included in the 2013 internal audit work plan in view of the significant risk that UNOG and its client organizations may be unable to implement IPSAS if they do not adequately prepare themselves to generate accurate and reliable opening balances of property, plant and equipment and inventory by 1 January 2014.

9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this as controls that provide reasonable assurance that policies and procedures: (i) exist to guide the preparation of IPSAS opening balances of assets at UNOG and its client organizations; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

10. The key control was assessed for the control objectives shown in Table 2.

11. OIOS conducted the audit from March 2013 to July 2013. The audit covered the period from 1 January 2012 to 31 March 2013.

12. 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

13. In OIOS’ opinion, the governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **preparedness of UNOG and its client organizations to comply with IPSAS on property, plant and equipment and inventory**. OIOS made four recommendations to address the issues identified in the audit. UNOG and its two client organizations with significant field presence, namely OCHA and OHCHR, had carried out physical verifications of assets and established and followed procedures for the write-off of not found, impaired and obsolete assets. However, the validation controls over assets held in the field offices of OCHA and OHCHR needed to be strengthened to provide reasonable assurance on the accuracy and reliability of property, plant and equipment and inventory data. The quality problems in relation to the physical verification of the Geneva-based assets performed by an external contractor needed to be followed-up with a concrete action plan.

14. 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 the implementation of two important recommendations remains in progress.

Table 2

Assessment of key controls

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Preparedness to comply with IPSAS on property, plant and equipment and inventory	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Need to implement validation controls and sample re-verification of assets in field locations

15. UNOG was required to certify the accuracy and completeness of records relating to property, plant and equipment and inventory, including those of its client organizations, in the IPSAS compliant financial statements. It used the Procure+ (Reality) system as the asset management system for assets located in Geneva. This was utilized as a centralized tool with read-only access to client organizations through an intranet system. Asset data in the field locations were not entered into the system; instead, they were maintained in various forms. For instance, the field offices of UNCTAD, OCHA and UNISDR used Excel and/or Access, and those of OHCHR used e-Assets, a web-based application. However, UNOG was not in a position to directly verify the physical existence and status of assets in the field

offices of its client organizations. Therefore, the accuracy and completeness of records maintained in the field was dependent on the effectiveness of the validation and re-verification processes of the main UNCTAD, OCHA, OHCHR, and UNISDR offices in Geneva. They had all sent emails to their field offices with instructions and/or guidance on the performance of physical inventory, data capture and data cleansing for IPSAS compliance, as well as templates for asset balance reporting. UNCTAD's assets in field locations were always transferred to the beneficiary entities once the national projects had been completed. Therefore, as it was deemed that they did not meet the criteria for capitalization of assets in IPSAS compliant accounts, no physical inventory was performed. At the point of the transfer, verification was carried out by the United Nations Development Programme and the project staff of UNCTAD. OCHA, OHCHR and UNISDR had annual physical verifications carried out by their field office staff. The field offices subsequently sent certified non-expendable property reports to their main office in Geneva, which in turn consolidated them and forwarded them to UNOG Financial Resources Management Service, where only the mathematical accuracy and format of the reports were verified.

16. OCHA performed spot checks during missions to the field offices. The spot checks consisted of a review of controls related to asset management, as well as re-verification of assets at the field office locations. Spot checks were performed in Haiti (in May 2012, September 2012 and February 2013, respectively), Côte d'Ivoire (February 2012), and Zimbabwe (February 2013), i.e. in only three of the 43 field offices. The mission reports pointed out various control weaknesses including but not limited to the lack of written procedures for entering inventories into the inventory control report, discrepancies between observed inventory and inventory reports and lack of compliance with data collection requirements. OCHA acknowledged that it needed to intensify the conduct of spot checks during field missions scheduled for the rest of 2013 and beyond, given the high value of assets that it held in the field. OCHA also had projects with implementing partners using Emergency Response Funds or country based pooled funds, which are funding mechanisms through which donors make available resources for rapid and flexible funding for urgent humanitarian needs. OCHA had not included these assets in its asset register. However, it was reviewing its guidelines, including in respect of assets purchased under projects funded by the Emergency Response Funds, to take into account the recording of assets and determine the threshold value. The OCHA Finance Unit maintained a list of projects funded by Emergency Response Funds but did not maintain a list of the assets associated with those projects. OHCHR and UNISDR did not conduct any spot checks in their field offices in the last financial year due to lack of human and financial resources. In the case of UNISDR, due to the low value of non-expendable assets in its field offices (\$281,248 as at 31 December 2012), the risk of materially inaccurate financial information on assets in IPSAS compliant accounts was reduced. For OHCHR, however, the value of assets held in the field was significant.

(1) The United Nations Office at Geneva should provide support to those of its client organizations who have field presence in establishing adequate validation controls, including spot checks, to provide reasonable assurance on the accuracy and reliability of property, plant and equipment and inventory data from the field offices.

UNOG accepted recommendation 1 and stated that the UNOG Financial Resources Management Service organized a cross functional meeting in September 2013 with the key clients (OCHA, OHCHR, UNITAR, UNCTAD and colleagues from UNOG Central Support Services) to discuss a way forward and agree year-end closure instructions. Support will be ongoing throughout the opening balance exercise and will continue until the first financial statements are approved under IPSAS in 2015 (for year ended 2014). Based on the action taken by UNOG, recommendation 1 has been closed.

(2) The Office for the Coordination of Humanitarian Affairs should perform a risk assessment on the management of assets in its field offices to enable it to determine the human and

financial resources needed to perform a sample re-verification of the validity of asset records at high risk locations, including assets in the possession of third parties.

OCHA accepted recommendation 2 and stated that an outline of the action plan on the basis of a risk assessment was already discussed with OIOS in Geneva and will be finalized by the end of October. It will then be implemented in order to generate accurate and reliable opening balances by 1 January 2014. Recommendation 2 remains open pending receipt of the action plan for the sample re-verification of assets in OCHA's field offices on the basis of a risk assessment.

(3) The Office of the High Commissioner for Human Rights should perform a risk assessment on the management of assets in its field offices to enable it to determine the human and financial resources needed to perform a sample re-verification of the validity of asset records at high risk locations.

OHCHR accepted recommendation 3 and stated that it had recently instructed its field offices to undertake physical inspections of all equipment by 1 November 2013. Following this exercise, the Office intends to carry out a quantitative and qualitative risk assessment to determine the need for sample verification in high risk locations. Recommendation 3 remains open pending receipt of the action plan for the sample re-verification of assets in OHCHR's field offices on the basis of a risk assessment.

The quality problems in relation to the physical verification of the Geneva-based assets performed by an external contractor needed to be followed up on with a concrete action plan

17. A third party contractor ("the Contractor") was hired to perform a comprehensive physical inventory, reconciliation and tagging exercise of all the Geneva-based assets of UNOG and its client organizations. The contract contained instructions to ensure the determination of IPSAS compliant opening balances as related to property, plant and equipment and inventory for an initial period from 1 February 2013 to 31 January 2016, with the option of one additional two-year extension from 1 February 2016 to 31 January 2018. According to the contract, the Contractor had to have a system in place for ensuring the accuracy of the physical count. The Contractor performed the exercise throughout the Palais des Nations campus and other associated premises from 25 February to 22 March 2013. On 8 April 2013, the Contractor provided a spreadsheet as its sole report, instead of the weekly reports requested in the contract. The spreadsheet, according to UNOG's detailed review, contained the following errors:

- 4,606 duplicate records were recorded, representing 2,272 individual items;
- 19,306 records were incomplete, representing 25.3 per cent of the 76,334 non-duplicate records;
- Of the 274 high risk items above \$5,000 that were spot checked by UNOG, 206 items, or 75.2 per cent of the population, were physically found that were not included in the Contractor's final spreadsheet;
- Of the 555 items in the 14 locations selected for spot checks, UNOG could not find 49 items, or 8.8 per cent of the population, that were included in the spreadsheet. UNOG instead found 75 items, or 13.5 per cent of the population, that were not included in the spreadsheet and identified 41 items, or 7.4 per cent of the population, with incorrect descriptive information; and
- 383 locations present in the Reality system were not inventoried by the Contractor and therefore not identified in the spreadsheet.

18. OIOS associated the inaccurate and incomplete physical verification with insufficient communication between UNOG and the Contractor, changes in the configuration of locations, lack of proper supervision of the Contractor's staff by UNOG, as well as lack of the Contractor's compliance with its own quality control procedures and the key performance indicators included in the contract. As a result of the shortcomings, UNOG gave the Contractor an unsatisfactory performance evaluation and held three performance evaluation meetings with the Contractor in May and June 2013. The Contractor returned in July 2013 to identify the items with information gaps, clean up and complete the records with insufficient data, and formalize the technical redress plan in writing. Another full scale physical verification was scheduled to be undertaken by the Contractor in September 2013, in accordance with the contract. UNOG therefore expressed confidence that the problems identified and the delays experienced would not adversely affect the timely preparation of the opening balances for property, plant and equipment and inventory.

(4) The United Nations Office at Geneva should use the lessons learned from the first physical verification exercise of the Geneva-based assets to implement an action plan to ensure accurate and reliable opening balances of property, plant and equipment and inventory in a timely manner.

UNOG accepted recommendation 4 and stated that lessons learned from the first physical inventory exercise of 2013 were incorporated in the planning and execution of the second exercise which commenced on 2 September 2013. The return of the contractor in July 2013 satisfactorily resolved quality gaps observed in their first final report. The addition of a helpdesk capacity and mandatory staff escorts allowed constant communication with contractor staff, and rapid resolution of location discrepancies, access issues, and questions regarding scanner entries and description assignments. Improved scanner software, augmented catalogues of common items, and detailed floor plans with the most current information were issued to the contractor to align scanned information to existing standards and to limit free-text entries. Daily staff spot checks of works performed in line with contractual key performance indicators and gap monitoring reports allowed ongoing evaluation of contractor performance and intervention as necessary. Based on the action taken by UNOG, recommendation 4 has been closed.

UNOG and its client organizations with significant field presence established and followed procedures for the reconciliation and write-off of not found, impaired and obsolete assets

19. The UNOG Property Management Manual set out the procedures for the reconciliation and write-off of not found, impaired and obsolete assets. In addition, UNOG developed specific procedures for the write-off of obsolete and not found information technology equipment in March 2013 and created a flowchart for these procedures. UNOG had also launched an intranet online tool in February 2010 for the routine write-off of property resulting from regular life-cycle activity, such as normal wear and tear and obsolescence. As indicated by the data in the Reality system, 14,240 items valued at \$18,432,697 were written off by UNOG in 2012. The average number of days taken from receiving a request for write-off to approving the requests by the UNOG Property Survey Board was 22 days.

20. Of the client organizations with the largest number and value of assets, OCHA had developed a Field Administrative Manual. The Property Management and Inventory Control section of this Manual set out the specific procedures for the disposal and write-off of property. In 2012, 158 items valued at \$4,621,424 were written off by OCHA. The average number of days taken to approve the write-off requests was three days. OHCHR issued a memo on "Property Asset Management at Field Offices" on 28 February 2013. The memo requested that any items found to be lost, stolen, or no longer usable should be submitted for write-off to the OHCHR Procurement, Logistics and Field Support Unit in Geneva for approval as soon as possible. For OHCHR, the total written-off amount for 2012 was

\$2,150,500. OHCHR did not have a detailed summary of the write-offs for all field offices in a format that would have allowed the estimation of the average time taken to approve the requests. One selected sample indicated that the request for write-off was received by the OHCHR Headquarters from the field office in Moldova on 30 October 2012 and was approved on 1 November 2012, only a day later.

The definition of inventory was not yet clarified but this was not considered to be a concern for UNOG

21. During the last physical verification for inventory performed at UNOG in December 2012, only items in the print shop (valued at \$202,532) and medical supplies (\$53,487) were reported as inventory. Catalogue items were recorded but not reported as inventory. This was in line with the definition in the United Nations policy framework for IPSAS that materials or supplies that are consumed or distributed within a reporting entity, and are not directly associated with items for sale or distribution, are considered non-financial inventory. However, the Board of Auditors, which used the definition in IPSAS 12, believed that materials or supplies to be consumed or distributed in the rendering of services should be included for reporting in IPSAS-compliant financial statements. Although the final definition of inventory was still not clarified, it was unlikely to have an impact on UNOG's ability to ensure accurate and reliable opening balances for inventory, because the information was easily available in its records.

UNOG was in the process of improving the recording of heritage assets

22. With regard to the heritage assets at UNOG, a database for the management of donated artworks was established and maintained by UNOG Central Support Services' Inventory Group since 2001. The Board of Auditors had highlighted in its recent audit of UNOG inconsistencies in inventory numbering, and inaccurate data related to heritage assets. UNOG was implementing the recommendations raised by the Board of Auditors. The UNOG Library as the service responsible for managing artworks initiated a thorough review of the database's contents and structure in July 2012. A professional Information Manager was assigned to the management of artworks. The UNOG Library was planning to record the data into a new database, which would provide complete information on artworks, apart from their values, for their management and tracking. The United Nations IPSAS Policy Framework did not require the disclosure of the value of heritage assets.

UNOG was in the process of valuating its real estate assets

23. A physical verification of real estate assets was done by UNOG in 2012. UNOG was waiting for the release of the Real Estate Staging database from the United Nations Headquarters to update this information. UNOG was also in the process of valuating the Palais des Nations buildings in Geneva, which involved the following four-stage process: assessment of the real estate rights (consolidation of legal restrictions on the land and buildings); assessment of the replacement value per square meter; calculation of allowance for depreciation; and reasonableness testing of valuation. UNOG expected to complete this process by the end of 2013. As the process was ongoing and UNOG had a clear action plan for its completion, no recommendation was made.

IV. ACKNOWLEDGEMENT

24. OIOS wishes to express its appreciation to the Management and staff of UNOG and its client organizations 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 preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The United Nations Office at Geneva should provide support to those of its client organizations who have field presence in establishing adequate validation controls, including spot checks, to provide reasonable assurance on the accuracy and reliability of property, plant and equipment and inventory data from the field offices.	Important	C	Action completed.	Implemented
2	The Office for the Coordination of Humanitarian Affairs should perform a risk assessment on the management of assets in its field offices to enable it to determine the human and financial resources needed to perform a sample re-verification of the validity of asset records at high risk locations, including assets in the possession of third parties.	Important	O	Submission to OIOS of the action plan for the sample re-verification of assets in OCHA's field offices on the basis of a risk assessment.	31 December 2013
3	The Office of the High Commissioner for Human Rights should perform a risk assessment on the management of assets in its field offices to enable it to determine the human and financial resources needed to perform a sample re-verification of the validity of asset records at high risk locations.	Important	O	Submission to OIOS of the action plan for the sample re-verification of assets in OHCHR's field offices on the basis of a risk assessment.	31 December 2013
4	The United Nations Office at Geneva should use the lessons learned from the first physical verification exercise of the Geneva-based assets to implement an action plan to ensure accurate and reliable opening balances of property, plant and	Important	C	Action completed.	Implemented

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 UNOG/OCHA/OHCHR in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory

Recom. no.	Recommendation	Critical¹/ Important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
	equipment and inventory in a timely manner.				

APPENDIX I

Management Response

United Nations Office at Geneva's Response



LE DIRECTEUR GÉNÉRAL
MEMORANDUM INTERIEUR

THE DIRECTOR-GENERAL
INTEROFFICE MEMORANDUM

To: Mr. Gurpur Kumar
Deputy Director
Internal Audit Division
Office of Internal Oversight Services

From: *ofc* Kassym-Jomart Tokayev *ofc*

Date: 16 October 2013

Subject: **Draft report on an audit of the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory (Assignment No. AE2013/311/02)**

1. Reference is made to your memorandum dated 30 September 2013 on the above-mentioned subject.
2. As requested, please find hereunder UNOG's comments (highlighted in blue) for each recommendation, including the timetable for implementation.
3. Attached also are the supporting documents referred to in recommendation No. 4.
4. Thank you.

cc: Mr. Clemens. M. Adams, Director, Division of Administration, UNOG
Mr. Hans George Baritt, Chief, Financial Resources Management Service, UNOG
Mr. Kyle Ward, Chief, Programme Support and Management Services, OHCHR
Mr. Sandro Dessi, Senior ERP Coordinator, Financial Resources Management Service, UNOG
Mr. Maarten Thomas, Chief, Administrative and Field Support Unit/OCHA
Ms. Victoria Browning, Chief, Purchase and Transportation Section CSS/UNOG
Mr. Hugues Noumbissie, Special Assistant to the Director, Division of Administration, UNOG
Ms. Anna Halasan, Professional Practices Section, Internal Audit Division, OIOS.

MANAGEMENT RESPONSE

Audit of the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The United Nations Office at Geneva should provide support to those of its client organizations who have field presence in establishing adequate validation controls, including spot checks, to provide reasonable assurance on the accuracy and reliability of property, plant and equipment and inventory data from the field offices.	Important	Yes	Chief, Financial Resources Management Service	June 2015	UNOG FRMS organized a cross functional meeting in September 2013 with the key clients (OCHA, OHCHR, UNITAR, UNCTAD and colleagues from CSS) to discuss a way forward and agree year end closure instructions. Support will be ongoing throughout the opening balance exercise and will continue until the first financial statements are approved under IPSAS in 2015 (for year ended 2014).
2	The Office for the Coordination of Humanitarian Affairs should perform a risk assessment on the management of assets in its field offices to enable it to determine the human and financial resources needed to perform a sample re-verification of the validity of asset records at high risk locations, including assets in the possession of third parties.	Important				
3	The Office of the High Commissioner for Human Rights should perform a risk assessment on the management of assets in its field offices to enable it to determine the human and financial resources needed to perform a sample	Important	Yes	Logistics Officer	31 Dec 2013 (risk assessment)	OHCHR accepts this recommendation. The Office has recently instructed its field offices to undertake physical inspections of all equipment by 1 November 2013. Following this exercise, the Office

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.

MANAGEMENT RESPONSE

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	re-verification of the validity of asset records at high risk locations.					intends to carry out a quantitative and qualitative risk assessment to determine the need for sample verification in high risk locations.
4	The United Nations Office at Geneva should use the lessons learned from the first physical verification exercise of the Geneva-based assets to implement an action plan to ensure accurate and reliable opening balances of property, plant and equipment and inventory in a timely manner.	Important	Yes	Chief/PTS/CSS	2/9/2013	Lessons learned from the first physical inventory exercise of 2013 were incorporated in the planning and execution of the second exercise which commenced 2 Sept 2013. The return of the contractor July 2013 satisfactorily resolved observed quality gaps observed in the first final report. The addition of a helpdesk capacity and mandatory staff escorts allowed constant communication with contractor staff, the rapid resolution of location discrepancies, access issues, and questions regarding scanner entries and description assignments. Improved scanner software, augmented catalogues of common items, and detailed floor plans with the most current information were issued to the contractor to align scanned information to existing standards and to limit free-text entries, Daily staff spot checks of works performed in-line with contractual key performance indicators and gap monitoring reports allowed ongoing evaluation of contractor

MANAGEMENT RESPONSE

Rec. no.	Recommendation	Critical¹/ Important²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						performance and intervention as necessary.

MANAGEMENT RESPONSE

Recommendation 4. UNOG PTS Daily Reports - Spot Check
 Indicator: % Discrepancy #Assets

Workload			
Asset Inventory	# locations Inventoried	# Items Inventoried	% Discrepancy #Assets
September 2013			Spot Check
Total	3081	77329	

Week2

09.sept.13	224	3517	5%
10.sept.13	153	3029	2%
11.sept.13	246	4321	2%
12.sept.13	126	2558	1%
13.sept.13	165	3231	2%
Total - Week2	914	16656	

Week3

16.sept.13	75	2641	3%
17.sept.13	106	4179	3%
18.sept.13	94	3151	3%
19.sept.13	35	3628	N/A
20.sept.13	75	1571	N/A
Total - Week3	385	15170	

**United Nations Office for the Coordination of
Humanitarian Affairs' Response**

United Nations  Nations Unies

INTEROFFICE MEMORANDUM


MEMORANDUM INTERIEUR

OFFICE FOR THE COORDINATION OF HUMANITARIAN AFFAIRS

TO: Gurpur Kumar, Deputy Director, Internal Audit Division
A: Office of Internal Oversight Services

DATE: 16 October, 2013

REFERENCE: IAD: 13-00530

FROM:  Valerie Amos
DE: Under-Secretary-General for Humanitarian Affairs
and Emergency Relief Coordinator

SUBJECT: **Comments to OIOS draft audit report on the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory**
OBJET: **Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory**

1. Thank you for sharing the draft audit report on the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory. Thank you also for seeking comments from my office.
2. The finding and recommendations of the draft report were thoroughly reviewed. Attached, you will find the action plan for the implementation of the OCHA-related recommendation,
3. We stand ready to provide you with any additional clarifications, if needed.

cc: Barnaby Jones
Kelly David
Wiebke Uhde

MANAGEMENT RESPONSE

Audit of the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The United Nations Office at Geneva should provide support to those of its client organizations who have field presence in establishing adequate validation controls, including spot checks, to provide reasonable assurance on the accuracy and reliability of property, plant and equipment and inventory data from the field offices.	Important				
2	The Office for the Coordination of Humanitarian Affairs should perform a risk assessment on the management of assets in its field offices to enable it to determine the human and financial resources needed to perform a sample re-verification of the validity of asset records at high risk locations, including assets in the possession of third parties.	Important	Yes	Chief of Administrative and Field Support Unit, Administrative Services Branch, OCHA	No later than 31 December 2013	An outline of the action plan on the basis of a risk assessment has been discussed with OIOS in Geneva. The plan, including the risk assessment, will be finalized in consultation with OIOS by the end of October and implemented in order to generate accurate and reliable opening balances by 1 January 2014.
3	The Office of the High Commissioner for Human Rights should perform a risk assessment on the management of assets in its field offices to enable it to determine the human and financial resources needed to perform a sample re-verification of the validity of asset records at high risk locations.	Important				

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.

MANAGEMENT RESPONSE

Audit of the preparedness of the United Nations Office at Geneva and its client organizations to comply with the International Public Sector Accounting Standards on property, plant and equipment and inventory

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	The United Nations Office at Geneva should use the lessons learned from the first physical verification exercise of the Geneva-based assets to implement an action plan to ensure accurate and reliable opening balances of property, plant and equipment and inventory in a timely manner.	Important				