



## INTERNAL AUDIT DIVISION

### REPORT 2015/006

---

Audit of warehouse operations in the United Nations Mission in the Republic of South Sudan

Overall results relating to the effective management of warehouse operations in the United Nations Mission in the Republic of South Sudan were initially assessed as unsatisfactory. Implementation of six important and two critical recommendations remains in progress

FINAL OVERALL RATING: UNSATISFACTORY

29 January 2015  
Assignment No. AP2014/633/05

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-8
Regulatory framework	2-8
IV. ACKNOWLEDGEMENT	8
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# AUDIT REPORT

## Audit of warehouse operations in the United Nations Mission in the Republic of South Sudan

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of warehouse operations in the United Nations Mission in the Republic of South Sudan (UNMISS).
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 Logistics Base and Integrated Warehouse Unit was responsible for managing inventory in warehousing facilities in UNMISS. The Unit was created in April 2014 to streamline and improve the Mission's management of warehouse operations and to amalgamate and centralize warehouse activities that were previously operated by self-accounting units. Warehouse operations were governed by the Department of Peacekeeping Operations/Department of Field Support (DPKO/DFS) Guidelines on Warehousing Operations for Field Missions.
4. During the audit period, UNMISS was faced with challenges due to civil conflict that resulted in a humanitarian crisis with tens of thousands internal displaced persons seeking refuge in UNMISS main strategic logistic base, as well as other camps throughout the country. Also, due to safety and security concerns some UNMISS staff were relocated. UNMISS operations were impacted by the crisis.
5. The Logistics Base and Integrated Warehouse Unit was headed by a Chief at the P-4 level and had 110 authorized posts comprising 14 international staff, 23 United Nations volunteers and 73 national staff. The total value of UNMISS non-expendable and expendable inventory as at 30 June 2014 was \$36.5 million and \$30.5 million respectively. This inventory was stored in: five warehouses and two one-stop shops in Juba; and nine warehouses located at Wau, Kwajok, Rumbek, Aweil, Torit, Yambio, Bor, Malakal and Bentiu.
6. Comments provided by UNMISS are incorporated in italics.

### II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNMISS governance, risk management and control processes in providing reasonable assurance regarding the **effective management of warehouse operations in UNMISS**.
8. The audit was included in the 2014 risk-based work plan of OIOS because of the operational and financial risks related to the management of warehousing operations in UNMISS.
9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide warehouse operations; (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 this audit from June to September 2014. The audit covered the period from 1 July 2013 to 30 June 2014. The audit team visited and reviewed warehousing operations in five warehouses in Juba and one in Wau. Due to insecurity, the team did not travel to other warehouse locations.

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

### III. AUDIT RESULTS

13. The UNMISS governance, risk management and control processes examined were initially assessed as **unsatisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of warehouse operations in UNMISS**. OIOS made eight recommendations to address the issues identified. UNMISS had made significant progress in restructuring warehouse operations by centralizing the management of inventory in various warehouses previously operated by self-accounting units. However, UNMISS needed to: (a) implement additional security and fire safety measures in and around warehousing facilities; (b) implement an action plan to ensure adequate inventory management controls, including segregation of duties; (c) establish adequate thresholds for stock discrepancies and ensure that investigations were conducted; (d) review all inventory balances and analyze inventory movements to identify slow/non-moving items or obsolete items, as well as excessive quantities; and (e) finalize its mission-specific standard operating procedures on warehousing operations.

14. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **unsatisfactory** as implementation of six important and two critical 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
<b>Effective management of warehouse operations in UNMISS</b>	Regulatory framework	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
<b>FINAL OVERALL RATING: UNSATISFACTORY</b>					

<sup>1</sup> A rating of “**unsatisfactory**” means that one or more critical and/or pervasive important deficiencies exist 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.

## Regulatory framework

### The warehouses in Juba were located in areas that were prone to flooding

15. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required that relevant environmental factors including risks of flooding and other natural occurrences be considered prior to selecting sites for warehouses. The Guidelines also required sufficient hard standing areas for loading and unloading of items.

16. OIOS visits to all five warehouses in Juba, where 47 per cent of the Mission's inventory was stored, indicated that the warehouses were located on low-level ground in muddy areas and had insufficient hard standing areas. As a result, they were subject to flooding during the rainy season. Also, due to insufficient hard standing areas around the warehouses, loading and unloading operations during the rainy season were challenging.

17. UNMISS explained that it would have liked to take environmental factors into consideration when establishing a suitable Logistics Base, but it was not afforded this amenity by the government. The Logistics Base was situated right by the Juba International Airport which was an excellent location for UNMISS operations and for the safety and security of UNMISS personnel. However, the airport and the Logistics Bases were situated in a low lying area that was prone to flooding. Following consultations with Engineering Section personnel, the Mission reached the conclusion that cost implications for transforming the warehouses far outweighed the benefits. Nonetheless, UNMISS would continue to carry out its annual engineering risk mitigation exercises, such as the cleaning of ditches/drainages prior to rainy season to reduce the risk and impact of heavy rains and flooding. As the Mission had accepted the risk of operating warehousing facilities in the current flood-prone area in Juba and implemented mitigating controls to minimize the impact of the risk, OIOS did not make a recommendation.

### There was a need to improve security measures and conditions of warehouses

(a) The security and condition of warehouses were not adequate

18. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required warehouses to be: (a) fenced off and check points established at entry points; (b) adequately lit inside the warehouse and in areas surrounding the warehouse; and (c) structurally sound to ensure that stored items were protected against excessive heat or leakage. The Guidelines also provided that installation of closed-circuit television cameras and recording equipment in and around warehouse premises be considered, and that special and attractive stored items be secured against theft.

19. OIOS visits to six warehouses indicated that large tents and sea containers were used for storage, and check points were erected at entry points to warehouses. However, due to normal wear and tear, the tents were frayed and damaged resulting in leakage during the rainy season. As a result, items were exposed to damage. UNMISS indicated that it had procured eight new large tent warehouses and was expecting their delivery in the first quarter of 2015. Further, the vicinity of UNMISS warehouses was not well lit. The Engineering Section had not addressed the lighting around warehouses, as well as the enhancement of perimeter fencing around the logistics base, due to other priorities and the lack of fencing materials.

20. As a result, items stored in warehouses were prone to theft and damage from severe weather conditions. The Mission needed to prioritize the enhancement of security of warehouses, to mitigate the risk of loss.

(b) Inadequate fire safety measures in and around warehouse facilities

21. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required UNMISS to: (a) ensure that each warehouse had a fire detection system, fire extinguishers, fire exit routes and appropriate signage prohibiting smoking; and (b) prepare fire evacuation plans, assign fire wardens and conduct regular fire safety inspections.

22. Visits to six warehouses indicated that fire extinguishers were installed, smoking signs were displayed throughout the warehouses and fire wardens were assigned to each warehouse location. However, UNMISS had not installed fire detection systems, cut-back shrubs surrounding warehouses posing a fire hazard, and had not prepared fire evacuation plans. This was because the UNMISS Fire Safety Unit had not prioritized the installation of fire detection alarms and preparation of evacuation plans. As a result, UNMISS had no early warning system in event of a fire, and staff were not adequately prepared for fire emergency situations.

**(1) UNMISS should implement additional security measures over warehousing facilities by: (a) procuring adequate materials for perimeter fencing; and (b) improving the lighting around the vicinity of warehouses.**

*UNMISS accepted recommendation 1 and stated that it would incorporate in its budget submission for fiscal year 2015/16 the requirements for perimeter fencing materials and lighting around the warehouses. Recommendation 1 remains open pending receipt of evidence that perimeter fencing and lighting at the Logistics Base have been installed.*

**(2) UNMISS should: expedite the installation of fire detection alarms, prepare evacuation plans and regularly conduct fire drills.**

*UNMISS accepted recommendation 2 and stated that while evacuation plans and fire drills would be implemented in the medium term, the installation of fire detection alarms would only be feasible later as it required budget allocation for fiscal year 2015/16 and procurement and installation. Recommendation 2 remains open pending receipt of evidence that evacuation plans are prepared and tested, and fire detection alarms have been installed.*

A high vacancy rate impacted the effectiveness of warehouse operations

23. The DPKO/DFS Guidelines on Warehouse Operations for Field Missions required sufficient, competent and experienced personnel to manage warehousing operations.

24. A review of the staffing levels of the Logistics Base and Integrated Warehouses Unit indicated that as at 30 June 2014, 27 (or 25 per cent) of the Unit's 110 authorized posts had been vacant since 1 July 2013. This high vacancy rate was due to delays in initiating the recruitment process because of insecurity caused by the December 2013 crisis in South Sudan and the resulting civilian staffing review. The Mission had issued requests to fill the vacancies during the period from May to September 2014, although the recruitment process had yet to be completed.

25. The heightened insecurity in the country since December 2013 led to an increase in day-to-day warehousing activities to support an increase in military personnel, from 7,000 to over 10,000, and additional logistics for protecting about 80,000 internally displaced persons housed in the Mission's compounds. This together with the high vacancy rate resulted in warehouse functions not being adequately segregated as well as the lapses in controls outlined in the paragraphs 25 to 28.

(a) Lax controls over the issuance of items from warehouses

26. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required: the use of an issue voucher, a gate pass and a transfer voucher to document the movement of items, and end-users' signature or acknowledgement on issue vouchers to confirm receipt; and segregation of incompatible functions to ensure appropriate checks and balance, and prevent fraud and errors.

27. Visits to the five warehouses in Juba and a review of 110 requests for supplies from warehouses during the audit period indicated that all requests for items had been duly authorized by the section chief of the end-user and approved by the section chief of the relevant self-accounting unit. However, in all five warehouses, the same staff who recorded the issuance of stock items in Galileo also conducted physical verifications and made adjustments to correct discrepancies between physical counts and book balances. Of the 110 requests reviewed: 14 issue and transfer vouchers could not be located; 69 issue vouchers were not signed by end-users to acknowledge receipt of items; and copies of 57 gate passes, which should have been attached to the respective issue vouchers, were not available.

(b) Physical verification of all inventory items, including those in warehouses was not achieved

28. The DPKO/DFS Property Management Manual and DPKO/DFS Guidelines on Warehousing Operations for Field Missions required 100 per cent physical verification of expendable inventory on a yearly basis. This was to be done by cyclical counts to ensure all inventory was counted throughout the year in segments.

29. An analysis of Galileo records indicated that UNMISS physically verified 11,826 (or 88 per cent) of 13,497 expendable items, and 3,008 (or 88 per cent) of 3,433 non-expendable items from 1 July 2013 to 30 June 2014. The shortfall was due to insufficient warehousing staff and an increase in day-to-day warehouse operations to promptly cater to requests from end-users. As a result, the actual physical existence of all inventory items in warehouses had not been ascertained and missing items not identified.

**(3) UNMISS should segregate the functions of physically verifying inventory and those of recording and adjusting inventory records in Galileo.**

*UNMISS accepted recommendation 3 and stated that it would review the operations of the Logistics Base and Integrated Warehouses Unit to ensure segregation of duties and roles would be clearly outlined in the Mission's standard operating procedures. Recommendation 3 remains open pending receipt of evidence that incompatible functions have been appropriately segregated.*

**(4) UNMISS should expedite the recruitment process to fill vacant warehouse posts to enhance the capacity of the Logistics Base and Integrated Warehouses Unit.**

*UNMISS accepted recommendation 4 and stated that it would continue with the recruitment process to reduce the vacancy rate in the Logistics Base and Integrated Warehouses Unit. Recommendation 4 remains open pending receipt of evidence that vacant posts in the Logistics Base and Integrated Warehouses Unit have been filled.*

Health and safety related measures in warehouses were adequate

30. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required UNMISS to install health and safety related equipment in warehouses, and provide relevant staff with basic personal protective equipment.

31. An inspection of six warehouses and review of pertinent documentation indicated that a health and safety officer regularly visited the five warehouses in Juba to provide health and safety briefings to all warehouse staff. Staff members at the warehouse in Wau had received basic training on warehouse health and safety issues. All six warehouses visited had first aid, washing stations and staff were equipped with appropriate protective clothing and devices. OIOS concluded that controls were in place to address health and safety issues in the Mission's warehouses.

Location of some inventory items recorded in the Galileo system was inaccurate

32. The DPKO/DFS Property Management Manual required the update and reconciliation of inventory records after the annual physical verification of assets to ensure the accuracy of inventory records. Also, the DPKO/DFS Guidelines on Warehousing Operations for Field Missions required UNMISS to conduct periodic warehouse location surveys to ensure an inventory location accuracy rate of 99 per cent or better. The Guidelines' good rule of thumb was to conduct 10 per cent location survey monthly or 10 per cent per week if problems existed.

33. A physical verification of inventory by OIOS indicated that some warehouses did not meet the established location accuracy rate and there were discrepancies between the results of physical counts and data recorded in Galileo, as indicated below:

- A review of 200 expendable inventory line items indicated that UNMISS had incorrectly recorded the location of 68 of these items in Galileo. This was because UNMISS did not conduct location surveys in fiscal year 2013/14;
- A physical verification of 100 expendable inventory items in six of the warehouse visited indicated differences in 58 cases between the quantities recorded in Galileo and the physical counts, as follows: (a) for 18 items valued at \$133,731, the balances in Galileo were lower than those counted by OIOS; and (b) for 40 items valued at \$560,655, the balances in Galileo were higher than those counted by OIOS. The Logistics Base and Central Warehouses Unit explained that the variances were due to recording errors. The Unit was in the progress of reconciling the variances; and
- UNMISS could not locate 12 of the 100 non-expendable inventory items selected by OIOS for physical verification on 31 July 2014. These items, whose cost was \$85,820, were not at the locations recorded in Galileo although they had been verified by the Property Control and Inventory Unit during their physical verification conducted in fiscal year 2013/14. The Property Control and Inventory Unit explained that the items were moved or issued subsequent to physical verifications but Galileo records were not updated to reflect the movement. Subsequent to the audit, UNMISS located seven missing items, and was searching for the remaining items.

34. The above discrepancies resulted as warehouse staff had not conducted location surveys and warehouse managers had not properly supervised staff to ensure that Galileo was appropriately updated after conducting physical verifications. As a result, some inventory balances recorded in Galileo were not correct.

**(5) UNMISS should conduct regular location surveys and update Galileo records to reflect actual physical assets in existence and their correct location.**

*UNMISS accepted recommendation 5 and stated that the Logistics Base and Integrated Warehouses Unit would continue to update Galileo records to reflect actual physical assets and their correct*



*locations. Recommendation 5 remains open pending receipt of evidence that Galileo records reflect actual physical assets in existence and their correct location.*

Inventory discrepancies were not investigated prior to making adjustments in Galileo

35. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required UNMISS to correct discrepancies in stock records that were within the DPKO/DFS recommended rate of +/- 2 per cent of the stock card quantity or amounts below \$250, using an inventory cycle voucher in Galileo. As an alternative, the DPKO/DFS Guidelines on Cycle Count of Expendable Property and Reconciliation of Discrepancies prescribed that missions could establish their own parameters for adjustment of minor discrepancies. Staff members were required to report all discrepancies that exceeded the prescribed limits to respective chiefs of self-accounting units for investigation and reconciliation, or to the Security Section, where a formal investigation was required.

36. A review of 60, totaling \$3.5 million, of the 450 expendable inventory adjustments made in fiscal year 2013/14 indicated that in all cases, the discrepancies were not fully investigated or reported to the respective section chief although the individual amounts exceeded the DPKO/DFS prescribed limits. UNMISS management had not enforced the DPKO/DFS-recommended thresholds because management was of the view that the thresholds were low and not cost effective to enforce, and was in the process of establishing thresholds for stock discrepancies. Not performing the required investigation meant that no accountability was assigned for these missing items, and no corresponding corrective action was taken to prevent discrepancies or losses.

**(6) UNMISS should establish an adequate threshold for stock discrepancies and investigate all discrepancies above the established threshold and take appropriate action.**

*UNMISS accepted recommendation 6 and stated that it would finalize its warehousing standard operating procedures which would include the Mission's threshold for stock discrepancies. Recommendation 6 remains open pending receipt of evidence that UNMISS has established an adequate threshold and taken appropriate action on discrepancies above the established threshold.*

Action was not taken on slow/non-moving items

37. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required the establishment of minimum and maximum stock levels and periodic review of stock levels to avoid stock-outs and excess stock holdings. Also, a 25 April 2014 DFS memorandum relating to the treatment of inventory in accordance with the International Public Sector Accounting Standards required peacekeeping missions to review stock holdings and identify slow/non-moving/obsolete items.

38. An analysis of Galileo records as at 31 July 2014 identified 100 expendable inventory line items totaling \$2.4 million and 3,176 non-expendable inventory line items totaling \$20.4 million with no movements for more than one year. As a result, valuable warehouse space was used to store items that were possibly obsolete or not needed by the Mission. An analysis of the 30,442 expendable inventory line items in Juba, Malakal and Wau as at 31 July 2014 indicated that 22,386 (or 74 per cent) did not have maximum and minimum stock levels, and reorder points and quantities for all inventory line items in the warehouses had not been established.

39. UNMISS had not defined and/or adhered to the various stock levels because of difficulties in importing items into South Sudan as the country had no sea ports, resulting in delays in the procurement of items. Also, majority of the slow/non-moving items were transferred from the liquidated United

Nations Mission in Sudan, but due to other management priorities UNMISS had not taken action to address these items.

**(7) UNMISS should review all inventory balances and analyze inventory movements to identify slow/non-moving or obsolete items, as well as excessive quantities, and initiate action to transfer such items to other missions or obtain approval for write-offs.**

*UNMISS accepted recommendation 7 and stated that the volume of slow moving items identified during the audit period was a result of the civil conflict in South Sudan that hindered the Mission's planning and movement of items. It would continue to review inventory holdings and identify items that could be written off or declared as surplus. Recommendation 7 remains open pending receipt of evidence that UNMISS has adequately identified slow/non-moving or obsolete items, as well as excessive amounts and initiated appropriate actions.*

Mission-specific warehouse standard operating procedures needed to be finalized

40. The DPKO/DFS Guidelines on Warehousing Operations for Field Missions required field missions to develop mission-specific standard operating procedures to guide their warehousing operations.

41. UNMISS had drafted its standard operating procedures but they had not been finalized since July 2013 due to other Management priorities. The lack of mission-specific standard operating procedures resulted in lapses in the implementation of warehousing activities as noted in the present report.

**(8) UNMISS should dedicate resources to update and finalize its standard operating procedures on warehousing operations.**

*UNMISS accepted recommendation 8 and stated that the draft standard operating procedures was being reviewed and would be finalized and promulgated. Recommendation 8 remains open pending receipt of a copy of the standard operating procedures for warehousing.*

#### **IV. ACKNOWLEDGEMENT**

42. OIOS wishes to express its appreciation to the Management and staff of UNMISS 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 warehouse operations in the United Nations Mission in the Republic of South Sudan

Recom. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	UNMISS should implement additional security measures over warehousing facilities by: (a) procuring adequate materials for perimeter fencing; and (b) improving the lighting around the vicinity of warehouses.	Important	O	Receipt of evidence that perimeter fencing and lighting at the Logistics Base have been installed.	31 December 2015
2	UNMISS should: expedite the installation of fire detection alarms, prepare evacuation plans and regularly conduct fire drills.	Important	O	Receipt of evidence that evacuation plans are prepared and tested, and fire detection alarms have been installed.	31 December 2015
3	UNMISS should segregate the functions of physically verifying inventory and those of recording and adjusting inventory records in Galileo.	Important	O	Receipt of evidence that incompatible functions have been appropriately segregated.	31 December 2015
4	UNMISS should expedite the recruitment process to fill vacant warehouse posts to enhance the capacity of the Logistics Base and Integrated Warehouses Unit.	Important	O	Receipt of evidence that vacant posts in the Logistics Base and Integrated Warehouses Unit have been filled.	30 September 2015
5	UNMISS should conduct regular location surveys and update Galileo records to reflect actual physical assets in existence and their correct locations.	Important	O	Receipt of evidence that Galileo records reflect actual physical assets in existence and their correct location.	30 September 2015
6	UNMISS should establish an adequate threshold for stock discrepancies and investigate discrepancies above the established threshold and take appropriate action.	Critical	O	Receipt of evidence that UNMISS has established an adequate threshold and taken appropriate action on discrepancies above the established threshold.	31 March 2015
7	UNMISS should review all inventory balances and analyze inventory movements to identify slow/non-moving items or obsolete items, as well as excessive quantities and initiate action to transfer	Critical	O	Receipt of evidence that UNMISS has adequately identified slow/non-moving or obsolete items, as well as excessive amounts and initiated appropriate actions.	30 September 2015

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> C = closed, O = open

<sup>5</sup> Date provided by UNMISS in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of warehouse operations in the United Nations Mission in the Republic of South Sudan

Recom. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
	such items to other missions or obtain approval for write-off.				
8	UNMISS should dedicate resources to update and finalize its standard operating procedures on warehousing operations.	Important	O	Receipt of a copy of the standard operating procedures for warehousing.	31 March 2015

# **APPENDIX I**

## **Management Response**

UNITED NATION MISSION IN THE REPUBLIC OF SOUTH SUDAN  
UNMISS

## INTEROFFICE MEMORANDUM

DATE: 12 January 2015

TO: Ms. Eleanor T. Burns, Director  
Internal Audit Division, OIOS

FROM: *for:* Ellen Margrethe Løj  
Special Representative of the Secretary-General  
United Nations Mission in the Republic of South Sudan

SUBJECT: Draft report on an audit of warehouse operations in the United Nations Mission in South Sudan (Assignment No. AP2014/633/05)

1. Reference is made to the memorandum dated 24 December 2014 transmitting the above mentioned draft report. The Mission has reviewed the report and has the following comments that we trust will be taken into consideration when preparing the final audit report.

*Audit Scope and Overall Assessment*

2. The overall assessment as stated in paragraph 14 of the report does not take into consideration the significant restructuring of the warehousing operations in May 2014 and the numerous extenuating circumstances and events that took place during the 2013/14 financial year. Since 2011, UNMISS warehousing operations had been decentralized and the management of warehouses was under three hubs (Wau, Malakal and Juba). The Juba warehouse was also responsible for the management of the Bor, Yambio and Torit warehouses. In order to streamline and improve the management of the warehouses throughout the Mission, the Mission amalgamated all warehousing operations, including those in six States (Bentiu, Malakal, Wau, Kwajok, Aweil and Rumbek) under the management of the Logistic Base and Integrated Warehouses Unit (LBIWU), which was created and only became operational as of 1 May 2014.
3. Furthermore, during the same period, South Sudan faced one of its biggest humanitarian challenges. Civil conflict broke out in Juba and subsequently to other States in December 2013. Numerous Internally Displaced Persons (IDPs) sought refuge in UNMISS camps. The Mission mandate was revised and many additional military and police personnel were deployed to UNMISS to support the Mission. Movement within the country was and remains restricted. At one point, it was estimated that around 35,000 IDPs were within UNMISS Topping Logistic Base, which serves as the main and strategic logistic base for the Mission. Additionally, the warehouse operations at the State level were affected due to relocation of some warehouse staff, who were moved to Juba together with their families for their safety and security. Consequently the Mission's dry season planning for the distribution of assets to the Sectors was significantly curtailed. The rainy season began in April, also slowing distribution.

- 
4. During the period covered by the auditors (1 July 2013 to 30 June 2014), UNMISS managed an inventory valued at \$67 million. Despite the above mentioned security and restructuring challenges, the LBIWU managed to verify 88 per cent of both expendable and non-expendable items during this period.
  5. The Mission's comments on the specific recommendations can be found in Annex I attached.
  6. I would like to express my appreciation to OIOS for the continued support in improving internal controls, accountability mechanisms and organizational efficiency and effectiveness in UNMISS.

cc: Ms. Stephani L Scheer, Director of Mission Support  
Mr. Matthew Carlton, Officer-in-Charge, Supply Chain Management Service  
Mr. Robert Lujan, Officer-in-Charge, Logistics Base and Integrated Warehousing Unit  
Mr. James Suglo, Chief Resident Auditor  
Ms. Cynthia Avena-Castillo, Professional Practices Section, IAD, OIOS

## Management Response

## Audit of warehouse operations in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
1	UNMISS should implement additional security measures over warehousing facilities by: (a) procuring adequate materials for perimeter fencing; and (b) improving the lighting around the vicinity of warehouses.	Important	Yes	Chief Engineer	31 December 2015	UNMISS shall include resources under its 2015/16 budget submission to procure fencing materials and for lighting around the warehouses.
2	UNMISS should: expedite the installation of fire detection alarms, prepare evacuation plans and regularly conduct fire drills.	Important	Yes	Fire Marshall	31 December 2015	While evacuation plans and fire drills can be implemented in the medium term, the installation of fire detection alarms will be only possible in the longer term since it requires budget allocation for 2015/16 followed by procurement and installation.
3	UNMISS should segregate the functions to record and adjust inventory records in Galileo, and physical verification of inventory.	Important	Yes	Chief Logistics Base	31 December 2015	The operations of the Logistics Base and Integrated Warehouses Unit (LBIWU) will be reviewed to ensure segregation of duties and these roles will be outlined clearly in the Mission standard operating procedures (SOP).
4	UNMISS should expedite the recruitment process to fill vacant warehouse posts to enhance the capacity of the Logistics Base and Integrated Warehouses Unit.	Important	Yes	Chief Logistics Base	30 September 2015	UNMISS will continue with the recruitment process to reduce its vacancy rate in the LBIWU.
5	UNMISS should conduct regular location surveys and update Galileo records to reflect actual physical assets in existence and their correct locations.	Important	Yes	Chief Logistics Base	30 September 2015	UNMISS continues to update Galileo records to reflect actual physical assets in existence and their correct locations. LBIWU exercise supervision and monitoring through

<sup>6</sup> 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.

<sup>7</sup> 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 warehouse operations in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
						its Supervisors and senior staff. On a random basis, site inspections are conducted to track non-expendable Property in unit stock and its accuracy in Galileo through Business Objects reports. Additionally, the overall performance of the Unit is assessed through the quarterly reports sent by Headquarters, where Key Performance Indicators are used as indicators to assess overall performance.
6	UNMISS should establish an adequate threshold for stock discrepancies and investigate discrepancies above the established threshold and take appropriate action.	Critical	Yes	Chief Logistics Base	31 March 2015	UNMISS shall conclude its Standard Operating Procedures, which will incorporate the threshold for stock discrepancies applicable to the Mission, and related steps to investigate discrepancies.
7	UNMISS should review all inventory balances and analyze inventory movements to identify slow/non-moving items or obsolete items, as well as excessive quantities and initiate action to transfer such items to other missions or obtain approval for write-off.	Critical	Yes	Chief Asset Management Unit	30 September 2015	The Mission regularly reviews its slow moving items and the Asset Management Unit has regular meetings with the Self-accounting Units to address these discrepancies. It should be noted the volume of slow moving items identified during the audit period was inter alia as a result of the civil conflict in South Sudan that hindered the Mission's dry season planning and movement of items. UNMISS shall continue to review its inventory holdings and identify if they can be written-off or be declared as surplus.

## Management Response

## Audit of warehouse operations in the United Nations Mission in the Republic of South Sudan

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation Date	Client comments
8	UNMISS should dedicate resources to update and finalize its standard operating procedures on warehousing operations.	Important	Yes	Chief Logistics Base	31 Mach 2015	The draft SOP has been prepared and is currently being reviewed. UNMISS shall finalize and promulgate the SOP.