



INTERNAL AUDIT DIVISION

REPORT 2016/011

Audit of contingent-owned equipment in the African Union-United Nations Hybrid Operation in Darfur

Overall results relating to the effective management of contingent-owned equipment were initially assessed as partially satisfactory. Implementation of one important recommendation remains in progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

4 March 2016
Assignment No. AP2015/634/01

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AUDIT REPORT

Audit of contingent-owned equipment in the African Union-United Nations Hybrid Operation in Darfur

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of contingent-owned equipment (COE) in the African Union-United Nations Hybrid Operation in Darfur (UNAMID).
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. UNAMID had 13 formed police units, 15 military infantry battalions, and 12 support units from 19 countries. The United Nations reimburses troop/police-contributing countries (T/PCCs) for COE and self-sustainment based on quarterly verification reports prepared by the Mission. Reimbursements to T/PCCs are limited to those items of serviceable major equipment (including associated minor equipment and consumables) agreed to by the United Nations and the T/PCC. UNAMID COE budgets for 2013/14 and 2014/15 were \$151 million and \$153 million, respectively.
4. The Departments of Peacekeeping Operations and Field Support (DPKO/DFS) are responsible for ensuring the establishment and amendment of the memoranda of understanding (MoUs) between the United Nations and T/PCCs to govern the contribution of personnel, equipment, supplies and services to contingents. The UNAMID COE/MoU Management Review Board (CMMRB) is responsible for overseeing the management of COE, reviewing the major and minor equipment and self-sustainment capabilities, and making recommendations to the Mission and DPKO/DFS on corrective actions required. The UNAMID COE Unit is responsible for the day-to-day management of MoUs including verification and reporting related to COE and self-sustainment. The Unit is headed by a P-4 who is supported by three professional staff, six field services staff and two United Nations Volunteers. The Unit had 21 authorized posts of which sixteen were encumbered.
5. Comments provided by UNAMID are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNAMID governance, risk management and control processes in providing reasonable assurance regarding the **effective management of COE in UNAMID**.
7. The audit was included in the OIOS 2015 risk-based work plan because of the criticality of COE to UNAMID operations and the significance of related costs.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (i) exist to guide the management of COE in UNAMID; (ii) are implemented effectively; and (iii) ensure the reliability and integrity of financial and operational information.

9. The key control was assessed for the control objectives shown in Table 1.

10. OIOS conducted the audit from 26 July to 30 November 2015. The audit covered the period from 1 July 2013 to 30 June 2015. The audit team visited three contingent locations to observe inspections of COE and self-sustainment capabilities.

11. 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

12. The UNAMID governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding **effective management of COE in UNAMID**. OIOS made two recommendations to address issues identified in the audit.

13. UNAMID had conducted the required periodic and operational readiness inspections of major equipment and self-sustainment capabilities, and promptly and accurately updated the COE database (eCOE) used for verification reporting and processing of reimbursements to T/PCCs. However, UNAMID needed to implement: (i) procedures to ensure that the CMMRB Working Committee maintains adequate records of its deliberations and forwards unresolved issues together with its recommendations to the CMMRB for further deliberation and action; (ii) an effective response monitoring and follow-up mechanism related to the recommendations of the CMMRB; and (iii) effective procedures to ensure that contingents and formed police units promptly submit the required reports with accurate information on the status of their equipment.

14. The initial overall rating was based on the assessment of key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of one important recommendation 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 COE in UNAMID	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

The functioning of the CMMRB needed improvement

15. The COE Manual requires UNAMID to establish a CMMRB to oversee the COE programme. The main functions of the CMMRB included: (a) reviewing compliance of T/PCCs with the terms of their MoUs with the United Nations and compliance of the Mission with established COE verification and reporting procedures; (b) identifying optimal utilization of related resources and cost-effective support solutions; (c) reviewing UNAMID-specific requirements, standards and scales for facilities, equipment and supplies associated with self-sustainment; (d) reviewing the results of operational readiness inspections and analyzing shortfalls, surpluses and deficiencies; and (e) recommending remedial actions to the Director of Mission Support and DPKO/DFS. To assist the CMMRB, UNAMID established a CMMRB Working Committee comprising representatives from the military, police and mission support components. The main function of this Working Committee was to clarify all COE-related issues with the respective contingents and formed police units and forward unresolved issues together with its recommendations to the CMMRB for further deliberation and action.

16. A review of the minutes of CMMRB meetings indicated that UNAMID had properly established a CMMRB, with appropriate terms of reference. The CMMRB convened five times during the audit period and: reviewed compliance of T/PCCs with the terms of their MoUs and compliance of the Mission with established COE verification and reporting procedures; reviewed the results of operational readiness inspections; and recommended remedial actions to the Mission and DPKO/DFS. However, there was no evidence that the CMMRB Working Committee had clarified all COE-related issues and forwarded unresolved issues together with its recommendations to the CMMRB. The COE Unit advised that the CMMRB Working Committee convened at least once a month and sometimes weekly. However, the Unit was able to provide records for only three meetings of the Committee held during the audit period. Additionally, DPKO/DFS had not resolved the following important issues as of 30 November 2015:

- The CMMRB, in its meeting on 13 October 2014, noted that 17 contingents and formed police units had on average 23 per cent shortfall in their deployed major equipment compared to quantities required by the relevant MoUs and recommended that DPKO resolve these shortfalls with the permanent missions of the concerned T/PCCs;
- In the same meeting, the CMMRB noted that 26 per cent of the major equipment was not operational due to the lack of spare parts and consumables and recommended that DPKO resolve the issue with the permanent missions of the concerned T/PCCs; and
- The CMMRB, in its meeting on 6 January 2015, recommended repatriating 23 major pieces of COE at the expense of the United Nations as these items had been unserviceable for prolonged periods, thereby diminishing the operational capacities of the concerned contingents and formed police units.

17. The above resulted because the Mission had not: (i) implemented procedures to ensure that the Working Committee maintained adequate records of its deliberations and forwarded all unresolved issues together with its recommendations to the CMMRB for further deliberation and action; and (ii) implemented an effective follow-up mechanism related to the recommendations of the CMMRB. As a result, there was a risk that: UNAMID COE-related issues were not promptly clarified with the respective contingents and formed police units and forwarded to the CMMRB for further consideration; COE

operations were not fully cost-effective; and some contingents and formed police lacked adequate equipment to implement their mandated tasks.

(1) UNAMID should implement: (i) procedures to ensure that the Working Committee of the Contingent-owned Equipment/Memorandum of Understanding Management Review Board (CMMRB) maintains adequate records of its deliberations and forwards all unresolved issues together with its recommendations to the CMMRB for further deliberation and action; and (ii) an effective response monitoring and follow-up mechanism related to the recommendations of the CMMRB.

UNAMID accepted recommendation 1 and: (i) issued an internal office memorandum on 8 February 2016 requiring the CMMRB Working Committee to maintain adequate records of its deliberations; and (ii) stated that it would continue to coordinate with DPKO/DFS to obtain feedback and ensure that the recommendations of the CMMRB were promptly addressed. Recommendation 1 remains open pending receipt of evidence that UNAMID has intensified its coordination with DPKO/DFS to obtain feedback and ensure that the recommendations of CMMRB are addressed.

There were adequate controls over inspections of COE and self-sustainment capabilities and maintenance of the database used for processing reimbursements

18. The COE Manual requires the COE Unit to conduct operational readiness inspections at least once every six months, and at any time the Mission believes the equipment or services do not meet established standards. The COE Field Implementation Guidelines require the Mission to carry out periodic inspections, supplemented by spot checks, throughout the quarterly inspection cycle to ensure that all COE and self-sustainment categories are physically verified to enhance continuous and effective monitoring. The COE Unit is required to prepare inspection schedules in collaboration with the contingents and formed police units and establish inspection teams (for operational readiness inspections) comprising staff of the COE Unit and, where necessary, representatives of the Mission Support Division and qualified personnel from the Force Headquarters. COE inspection teams are expected to use proper tools including worksheets for verification and inspection of all major equipment and self-sustainment capabilities and accurately record data in eCOE, which is used in preparing verification reports for processing reimbursement to T/PCCs.

19. The audit work done in this area consisted of: a review of the operational readiness and periodic inspections reporting process; observation of three inspections in Sectors North, South and East in October and November 2015 and review of related worksheets; review of 50 of the 324 inspection reports; and review of 50 out for 438 verification reports. The audit results indicated that the COE Unit:

- Adequately planned and prepared inspection schedules in collaboration with the relevant military units;
- Established inspections team comprising staff members of the COE Unit and, where necessary, representatives from the technical sections and qualified personnel from the military, formed police units and the Mission Support Division;
- Completed all required operational readiness and periodic inspections and submitted the related reports to DFS within established timeframes. UNAMID had conducted 324 periodic inspections compared with the requirement for 320. Even though the Mission was required to conduct only 80 operational readiness inspections, it performed the required tests/procedures for both operational and periodic inspections during all 324 periodic inspections; and

- Conducted spot checks to validate corrective actions taken by T/PCCs following operational readiness and periodic inspections - e.g. when inspectors identified the need to repair a major equipment during a scheduled inspection, they subsequently conducted spot checks to verify that the repair works had been conducted.

20. Additionally, COE inspection teams: (i) used eCOE-generated inspection worksheets for all major equipment to verify and establish the categories, groups, and quantities of COE; (ii) adequately documented the results of their inspections in the worksheets; (iii) accurately updated eCOE with data from inspection worksheets as the data entered by individual inspectors was checked by the inspection team leaders and validated by the Chief of the COE Unit; and (iv) verified self-sustainment capabilities of contingents and formed police units.

21. OIOS concluded that UNAMID had implemented adequate controls related to operational readiness and periodic inspections of COE and the maintenance of the eCOE and submitted the related reports to DFS.

The monthly equipment serviceability reports submitted by contingents were not accurate and complete

22. The COE Field Implementation Guidelines on Contingent Self-Reporting requires contingents and formed police units to submit accurate monthly equipment serviceability reports (MESRs) to the COE Unit for use in the continuous monitoring of the status of COE and for updating eCOE. The COE Unit is responsible for implementing procedures to ensure the accuracy and timeliness of MESRs and eCOE.

23. A review of the eCOE and monthly serviceability reporting by contingents and formed police units indicated that, from 1 July 2013 to 30 June 2015, these units submitted 733 of the required 908 MESRs, representing a short fall of 175 MESRs or 19 per cent. Moreover, a review of the 59 of 174 MESRs submitted to the COE Unit by contingents and formed police units from March 2015 to June 2015 indicated some inaccuracies as follows:

- Seven contingents did not indicate serviceability status of all major equipment in their MESRs;
- A contingent reported a generator as serviceable and showed a fuel consumption of 100 liters, even though the generator had been recorded in eCOE as unserviceable since 1 July 2011;
- A contingent reported a loss of four armaments but these items could not traced in eCOE; and
- A contingent reported a vehicle as serviceable even though the vehicle had been reported in eCOE as non-operational since 11 December 2014.

24. The above resulted because the COE Unit did not implement effective monitoring and follow-up procedures such as: following up with the contingents and formed police units when the MESRs were due; reviewing the MESRs submitted; and providing feedback to ensure that contingents and formed police units consistently and promptly submitted accurate MESRs to the COE Unit. As a result, there was a risk that the eCOE was inaccurate and not useful for monitoring purposes.

<p>(2) UNAMID should implement effective procedures such as: (a) following up with the contingents and formed police units when monthly equipment serviceability reports (MESRs)</p>

are due; and (b) reviewing the MESRs submitted by contingents and formed police units and providing feedback to ensure that contingents and formed police units promptly submit the required reports and the information contained these reports is accurate and properly reflects the status of their equipment.

UNAMID accepted recommendation 2 and stated that: the COE Unit had discussed the need for accurate and prompt MESRs during its video conference with staff in Sectors North, South and West on 12 January 2016; it had identified COE focal points in the sectors that were responsible to teach and guide the contingents and formed police units; and it had assigned dedicated staff to monitor the timely submission of MESRs by contingents and formed police units. Based on the action taken by UNAMID, recommendation 2 had been closed.

IV. ACKNOWLEDGEMENT

25. OIOS wishes to express its appreciation to the Management and staff of UNAMID 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 contingent-owned equipment in the African Union-United Nations Hybrid Operation in Darfur

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	UNAMID should implement: procedures to ensure that the Working Committee of the Contingent-owned Equipment/Memorandum of Understanding Management Review Board (CMMRB) maintains adequate records of its deliberations and forwards all unresolved issues together with its recommendations to the CMMRB for further deliberation and action; and (ii) an effective response monitoring and follow-up mechanism related to the recommendations of the CMMRB.	Important	O	Evidence that UNAMID has intensified its coordination with DPKO/DFS to obtain feedback and ensure that the recommendations of CMMRB are addressed.	31 March 2016
2	UNAMID should implement effective procedures such as: (a) following up with the contingents and formed police units when monthly equipment serviceability reports (MESRs) are due; and (b) reviewing the MESRs submitted by contingents and formed police units and providing feedback to ensure that contingents and formed police units promptly submit the required reports and the information contained these reports is accurate and properly reflects the status of their equipment.	Important	C	Action taken	Implemented

² 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.

³ 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.

⁴ C = closed, O = open

⁵ Date provided by UNAMID in response to recommendations.

APPENDIX I

Management Response

AFRICAN UNION

الاتحاد الأفريقي



UNAMID



UNITED NATIONS


الأمم المتحدة

African Union – United Nations Hybrid Operation in Darfur

Office of the Joint Special Representative

28 February 2016

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

From: Bintou Keita 
Officer-in-Charge and Designated Official a.i.
UNAMID

Subject: **Draft report on an audit of contingent-owned equipment in the African Union-United Nations Hybrid Operation in Darfur (Assignment No. AP2015/634/01)**

1. With reference to your memorandum of 21 February 2016, on the captioned-subject matter, please find attached UNAMID's response (Appendix I) to the draft report for your consideration.
2. All related portfolio of evidence have been submitted to the office of the Chief Resident Auditor for verification.
3. I further confirm on the factual accuracy of the report.

Thank you.

cc: Ms. AnneMarie van den Berg, Director a.i., Mission Support Division, UNAMID
Mr. Jose Barallas, Chief, Contingent Owned Equipment, UNAMID
Ms. Eleanor T. Burns, Director, Internal Audit Division, OIOS
Mr. Velayutham Gopal, Audit Focal Point, UNAMID
Mr. Edward Zormelo, OIC, UNAMID Resident Audit Office, Internal Audit Division, OIOS
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

Audit of contingent-owned equipment in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should implement: procedures to ensure that the Working Committee of the Contingent-owned Equipment/Memorandum of Understanding Management Review Board (CMMRB) maintain adequate records of its deliberations and forward all unresolved issues together with its recommendations to the CMMRB for further deliberation and action; and (ii) an effective response monitoring and follow-up mechanism related to the recommendations of the CMMRB.	Important	Yes	i. Chief COE ii. UNHQs	i. 28 Feb 2016 ii. TBD	<p>i) The Mission has issued an IOM dated 08 Feb 2016 to the pre-CMMRB working committee on the maintenance of adequate records for appropriate follow up action (see attached). It is requested that this issue be closed.</p> <p>ii) A CMMRB counterpart in UNHQ will be established according to the former DMS, in order for the mission's CMMRB be able to receive feedback, monitor/follow up the recommendations that were submitted to DFS. The TOR is being finalized. Attached is the update on the establishment of the UNHQ CMMRB. Currently, the COE Unit coordinates with the COE counterparts (COE Unit, LSD/DFS).</p>

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 contingent-owned equipment in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	UNAMID should implement effective procedures to promptly follow up with contingents when the monthly equipment serviceability reports (MESRs) are due; and review the MESRs submitted by contingents and formed police units; and provide feedback to ensure that contingent and formed police units promptly submit the required reports with accurate information on the status of their equipment.	Important	Yes	Chief COE	12 January 2016	A VTC was held on 12 January 2016 by the COE Unit among its staff in Sectors North, South and West. One of the issues discussed was the units' preparation and submission of factual monthly status reports based on the Guidelines for the Field Verification and Control of COE and Management of the MOU. The COE focal points are held responsible to teach and guide, especially the newly rotated/deployed units. A dedicated staff has been designated to monitor the timely submission and subsequent filing of the Monthly Equipment Serviceability Report (MESR) in the COE share drive for OIOS' review. This issue has been adequately addressed and it is recommended to be closed. Attached are the VTC minutes and the approved Jan 2016 MESRs.