



INTERNAL AUDIT DIVISION

REPORT 2016/051

Audit of contingent-owned equipment
in the United Nations Organization
Stabilization Mission in the Democratic
Republic of the Congo

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

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

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AUDIT REPORT

Audit of contingent-owned equipment in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of contingent-owned equipment in the United Nations Mission Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. MONUSCO has 56 military contingents and 6 formed police units. These contingents have deployed contingent-owned equipment (COE) comprising 10,400 items of major equipment and 24 self-sustainment categories. The troop-/police-contributing countries (T/PCCs) deployed all COE to MONUSCO on a wet-lease arrangement whereby they provide and assume responsibility for maintaining and supporting major equipment, together with the associated minor equipment. The T/PCCs receive reimbursement for COE and self-sustainment based on rates established by the General Assembly. Reimbursement is dependent upon verification that the equipment and services provided meet the undertaking of the T/PCC in its signed memorandum of understanding (MoU) with the United Nations.
4. The Departments of Peacekeeping Operations and Field Support (DPKO/DFS) are responsible for establishing the MoUs and processing reimbursements to T/PCCs based on verification reports prepared by the Mission. The COE/MoU Management Review Board (CMMRB) of MONUSCO is responsible for overseeing the management of the COE programme, reviewing the major and minor equipment and self-sustainment capabilities of contingents, and making recommendations to the Mission and DPKO/DFS on corrective actions required. The MONUSCO COE Unit is responsible for managing the MoUs including verification and reporting related to major equipment and self-sustainment and updating the eCOE database with results of COE inspections.
5. The MONUSCO COE Unit is headed by a staff at the P-3 level who reports to the Chief of Supply Chain Management and is supported by 10 international staff, 6 military liaison officers, 14 United Nations volunteers and 4 national staff. The COE budget for 2014/15 and 2015/16 was \$168.8 million and \$142.8 million respectively.
6. Comments provided by MONUSCO are incorporated in italics.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of MONUSCO governance, risk management and control processes in providing reasonable assurance regarding the **effective management of COE in MONUSCO**.

8. The audit was included in the 2015 risk-based work plan of OIOS because of financial and operational risks due to the criticality of COE to MONUSCO operations and the significance of related costs.

9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of COE in MONUSCO; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.

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

11. OIOS conducted the audit from November 2015 to March 2016. The audit covered the period from January 2014 to December 2015. The audit team made site visits to 11 of 62 contingents in Bukavu, Bunia and Goma to observe the inspections of major equipment and self-sustainment capabilities.

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

14. MONUSCO implemented adequate controls to ensure the: required operational readiness and quarterly inspections of COE were conducted; the eCOE database was accurately updated and maintained; verification reports were submitted to DFS; the CMMRB was functioning effectively; and the Mission prepared and submitted COE quarterly status reports to DFS on a timely basis. However, MONUSCO needed to: (a) implement effective coordination mechanisms to ensure all United Nations-owned equipment (UNOE) allocated to contingents were inspected before repatriating the contingent and its COE; (b) ensure that the Transport Section used information from the COE Unit to prepare its monthly vehicle insurance reports used for procuring insurance for contingent-owned vehicles; and (c) obtain undertakings from T/PCCs confirming that they would not make claims for financial compensation with respect to disposal actions taken by the Mission at their request.

15. The initial overall rating was based on the assessment of the key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review

Table 1: Assessment of the 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 contingent-owned equipment in MONUSCO	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

The required inspections of COE were conducted

16. The DPKO/DFS COE Manual and DFS guidelines for field verification and control of COE and management of MoUs (DFS COE Guidelines) require MONUSCO to: (a) prepare quarterly schedules to confirm dates for quarterly and operational readiness inspections; (b) conduct quarterly inspections, supplemented by spot checks, to ensure that all items of major equipment and self-sustainment categories are physically verified; (c) conduct operational readiness inspections every six months, and at any time the Mission believes the equipment or services are not meeting established standards; and (d) conduct arrival inspections within one month of arrival for major equipment and within six months of arrival for self-sustainment. COE inspection teams should comprise COE Unit staff, specialists from the Mission’s technical sections and representatives from the Force and Police Headquarters; and are required to use proper tools including worksheets for verification and inspection of all major equipment and self-sustainment capabilities and accurately record data in the eCOE database.

17. Review of 30 out of 1,142 verification reports and inspection schedules for 2015, confirmation that all scheduled quarterly and operational readiness inspections were conducted, and observation of COE inspections for 11 of 62 contingents indicated that: the COE Unit adequately planned for the quarterly and operational readiness inspections of COE deployed in all locations; notified all technical sections on a timely basis about inspections and requested them to make their representatives available; and the Medical Section and Water and Sanitation Unit provided the requested technical expertise to participate in inspections. The COE Unit conducted:

- All scheduled 1,142 inspections including 703 quarterly and 439 operational readiness inspections and submitted the related reports to DFS within established timeframes;
- Spot checks, when necessary, to validate corrective actions taken by T/PCCs following quarterly and operational readiness inspections. For example, the COE Unit conducted spot checks to verify the repair works conducted when contingents reported that they had repaired equipment previously assessed as unserviceable during scheduled inspections; and
- All arrival inspections for all major equipment and self-sustainment within one and six months, respectively of their arrival.

18. Additionally, COE inspection teams: (a) used eCOE database-generated inspection worksheets to verify major equipment and self-sustainment capabilities of contingents; (b) adequately documented the

results of their inspections in the worksheets, which were signed by the COE inspectors and contingent representatives; and (c) accurately updated the eCOE database with data from inspection worksheets. The data recorded in eCOE by individual inspectors was checked by the inspection team leaders and validated by the staff of the COE Unit.

19. OIOS concluded that MONUSCO implemented adequate and effective controls to ensure the required operational readiness and quarterly inspections of COE were conducted; the eCOE database was accurately updated and maintained; and verification reports were submitted to DFS.

The CMMRB was properly constituted and provided adequate oversight on the management of COE

20. The DPKO/DFS COE Manual requires MONUSCO to establish a CMMRB in accordance with the guidelines for field verification and control of COE and MoUs. The CMMRB main functions include: (a) reviewing compliance of T/PCCs with the terms of the MoUs; (b) identifying optimal utilization of resources; (c) reviewing MONUSCO requirements, standards and scales for facilities, equipment and supplies associated with self-sustainment; (d) reviewing the results of the operational readiness inspections and analyzing shortfalls, surpluses and deficiencies; and (e) making recommendations to the Director of Mission Support and DPKO/DFS for remedial actions.

21. A review of all six minutes of CMMRB held during the audit period indicated that MONUSCO had properly established a CMMRB, with terms of reference that were in line with the requirements of the DPKO/DFS COE Manual. The CMMRB reviewed, among others, the following:

- Compliance of contingents with terms of their MoUs and established COE verification and reporting procedures;
- Serviceability status of major equipment and adequacy of self-sustainment categories;
- Results of operational readiness inspections and notified the Director of Mission Support and DPKO/DFS about issues such as proposed amendments to MoUs that needed to be discussed with the permanent missions of concerned T/PCCs;
- COE that was beyond economic recovery and recommended necessary action;
- The status of implementation of recommendations made in its previous meetings; and
- Requests from contingents for rotation of equipment at the expense of the United Nations. For example, the CMMRB reviewed requests received from five contingents for eligibility of rotation at United Nations expense. The United Nations Headquarters approved requests for two T/PCCs to rotate 227 items of equipment at the expense of the United Nations and was in the process of reviewing the other three requests.

22. OIOS concluded that the MONUSCO CMMRB was functioning as required.

Need to improve coordination during repatriation inspections

23. The DPKO/DFS COE Manual and MONUSCO standard operating procedures for COE inspections and MoU management require the Mission to inspect COE and UNOE assigned to contingents before they are repatriated to ensure that no UNOE is repatriated with the contingents.

24. Interviews with the COE Unit and the Property Control and Inspection Section, and review of communications related to contingent repatriations and COE verification reports indicated that the COE Unit inspected all COE prior to their repatriation. However, the Property Control and Inspection Section did not inspect for UNOE issued to four of six contingents that were repatriated during the audit period. This was because those sections and staff responsible for repatriation of contingents and their equipment did not make sure the Property Control and Inspection Section was notified about the pending repatriations. As a result, there was a risk of reduced accountability for UNOE allocated to contingents when MONUSCO repatriated them.

(1) MONUSCO should implement effective coordination mechanisms related to the repatriation of contingent-owned equipment and contingents to ensure that all United Nations-owned equipment allocated to the contingents are inspected and accounted for prior to repatriating the contingents and their equipment.

MONUSCO accepted recommendation 1 and stated that it drafted standard operating procedures for joint repatriation inspections of contingents to facilitate implementation of effective mechanisms related to the repatriation of contingents. Recommendation 1 remains open pending receipt of the approved operating procedures detailing coordination mechanisms for repatriation of COE to ensure that UNOE allocated to contingents are inspected and confirmation that they have been implemented.

Quarterly COE status reports were prepared and submitted to DFS

25. The DFS COE Guidelines require MONUSCO to prepare quarterly COE status reports to support the overall management of the COE capabilities and to submit them to DFS.

26. A review of the quarterly COE status reports for 2015 indicated that MONUSCO prepared and submitted on time the required status reports to support the overall management of the COE capabilities. These reports were in the prescribed formats and reflected the Mission's performance against the key performance indicators related to: (a) compliance with the deadline for submission of verification reports; (b) physical verification of COE within each reporting cycle; (c) quantities of major equipment deployed; (d) major equipment serviceability; (e) major equipment capability; and (f) self-sustainment categories.

27. OIOS concluded that MONUSCO had implemented adequate controls to ensure that quarterly COE status reports were prepared and submitted to DFS.

The monthly vehicle insurance report for COE needed to be reconciled with the database

28. The DPKO/DFS Manual on surface transport management in the field requires MONUSCO to compile and submit to DFS monthly reports and documentation regarding its fleet status for use in procuring third party liability insurance required for all vehicles owned and operated by the Mission.

29. A review of the 2015 monthly vehicle insurance reports prepared by the MONUSCO Transport Section and submitted to DFS indicated that the number of vehicles insured was not accurate. MONUSCO had insured 2,774 contingent-owned vehicles between October 2015 and February 2016. However, as of February 2016, only 2,602 serviceable vehicles were recorded in the eCOE database. As

a result, MONUSCO overstated the number of vehicles insured by 172 vehicles. This was due to the lack of adequate and effective coordination between the COE Unit and Transport Section to ensure that the Section adjusts monthly vehicle insurance reports to reflect changes in the number of contingent-owned vehicles that may result from deployment, repatriation and unserviceability.

(2) MONUSCO should implement procedures to ensure that the Transport Section uses information from the Contingent-owned Equipment Unit to prepare monthly vehicle insurance reports submitted to DFS for use in arranging insurance coverage.

MONUSCO accepted recommendation 2 and stated that it had drafted operating procedures for submission of monthly COE vehicle serviceability status to the Transport Section for insurance coverage. Recommendation 2 remains open pending receipt of evidence that procedures have been implemented to ensure that the Transport Section uses information from the COE Unit to prepare monthly vehicle insurance reports.

Need to obtain undertakings from TCCs for the disposal of COE on their behalf

30. The DFS COE Guidelines require MONUSCO, when requested by a contingent to dispose of COE on behalf of the contingent, to obtain a formal undertaking from the relevant T/PCC indicating that the United Nations would have no liability for COE sold and that the T/PCC will make no claims for financial compensation for any potential revenue generated from the disposal action associated with the COE.

31. A review of documents related to the disposal of COE by six contingents indicated that, in May 2014 and February 2015, one contingent handed over to the MONUSCO Property Disposal Section in Kinshasa 11 items of COE comprising a forklift, water treatment plant, trucks and ablution units for disposal. However, MONUSCO did not obtain an undertaking from the T/PCC specifying that it would not make claims for financial compensation for any potential revenue generated from the disposal actions associated with the COE.

32. The above resulted because the contingents and Property Disposal Section were not aware of the requirement and MONUSCO did not have procedures to follow up with T/PCCs in order to obtain undertakings of no claims for financial compensation from the sale of equipment on their behalf. The items were yet to be disposed of as of February 2016. Failure to obtain such undertakings from T/PCCs could expose the United Nations to financial claims for equipment disposed of on behalf of contingents.

(3) MONUSCO should implement procedures to obtain undertakings from troop-/police-contributing countries confirming that they would not make claims for financial compensation with respect to disposal actions taken by the Mission at the request of the contingents.

MONUSCO accepted recommendation 3 and stated that it had submitted a formal request to DFS in March 2016 to approach the relevant permanent missions with regard to the items awaiting disposal to obtain approval for disposal actions by the Mission. It also stated that it had drafted operating procedures for obtain the required undertakings from T/PCCs to facilitate disposal actions. Recommendation 3 remains open pending receipt of evidence that MONUSCO has implemented procedures to obtain confirmation from T/PCCs that United Nations would have no liability for COE sold and no financial compensation will be provided.

IV. ACKNOWLEDGEMENT

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

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of contingent-owned equipment in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MONUSCO should implement effective coordination mechanisms related to the repatriation of contingent-owned equipment and contingents to ensure that all United Nations-owned equipment allocated to the contingents are inspected and accounted for prior to repatriating the contingents and their equipment.	Important	O	Receipt of the approved operating procedures detailing coordination mechanisms for repatriation of COE to ensure that UNOE allocate to contingents are inspected and confirmation that they have been implemented.	31 August 2016
2	MONUSCO should implement procedures to ensure that the Transport Section uses information from the Contingent-owned Equipment Unit to prepare monthly vehicle insurance reports submitted to United Nations Headquarters for use in arranging insurance coverage.	Important	O	Receipt of evidence that procedures have been implemented to ensure that Transport Section uses information from the COE Unit to prepare monthly vehicle insurance reports.	31 August 2016
3	MONUSCO should implement procedures to obtain undertakings from troop-/police-contributing countries confirming that they would not make claims for financial compensation with respect to disposal actions taken by the Mission at the request of the contingents.	Important	O	Receipt of evidence that MONUSCO has implemented procedures to obtain confirmation from T/PCCs that United Nations would have no liability for COE sold and no financial compensation will be provided.	31 August 2016

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by MONUSCO in response to recommendations.

APPENDIX I

Management Response

MANAGEMENT RESPONSE

Audit of contingent-owned equipment in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	MONUSCO should implement effective coordination mechanisms related to the repatriation of contingent-owned equipment (COE) and contingents to ensure that all United Nations-owned equipment allocated to the contingents are inspected and accounted for prior to repatriating the contingents and their equipment.	Important	Yes	Officer-in-Charge (OIC) COE	31 August 2016	A Standard Operating Procedure (SOP) entitled Joint Repatriation Inspection of Contingents was drafted to facilitate the implementation of effective mechanisms related to the repatriation of Contingents. The SOP is currently under review and will be approved and promulgated by the end of August 2016.
2	MONUSCO should implement procedures to ensure that the Transport Section uses information from the Contingent-owned Equipment Unit to prepare monthly vehicle insurance reports submitted to United Nations Headquarters for use in arranging insurance coverage.	Important	Yes	OIC COE	31 August 2016	An SOP entitled Submission of Monthly COE Vehicle Serviceability Status to Transport Section for Insurance Coverage was drafted to facilitate the implementation of procedures to ensure that the Transport Section uses information from the COE Unit to prepare monthly vehicle insurance reports. The SOP is currently under review and will be approved and promulgated by the end of August 2016.
3	MONUSCO should implement procedures to obtain undertakings from T/PCCs confirming that they would not make claims for financial compensation with respect to disposal actions taken by the	Important	Yes	OIC COE	31 August 2016	MONUSCO submitted a formal request to LSD/DFS in March 2016 to approach the relevant permanent Missions with regard to the items awaiting disposal, which were

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	Mission at the request of the contingents.					identified by the Auditors during the audit, to obtain approval for disposal action by the Mission. Two SOP's entitled Supply Chain Management – Property Disposal Section and Supply Chain Management – Property Disposal Section, Hazardous Waste Management have been drafted and are currently under review. The Mission will adhere to the procedures and remind Contingents to obtain the required undertakings from T/PCCs to facilitate the disposal action. The issue was raised and the procedures agreed upon during the last CMMRB meeting of 26 April 2016 in accordance with the Terms of references of the CMMRB. Both draft SOPs will be approved and promulgated by the end of August 2016.