



Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

### **REPORT 2016/104**

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#### **Audit of asset disposal activities in the African Union-United Nations Hybrid Operation in Darfur**

**Overall results relating to the effective management of asset disposal activities were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress**

**FINAL OVERALL RATING: PARTIALLY SATISFACTORY**

**15 September 2016**

**Assignment No. AP2016/634/01**

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# AUDIT REPORT

## Audit of asset disposal activities in the African Union-United Nations Hybrid Operation in Darfur

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset disposal activities 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 self-accounting units such as the Transport and Engineering Sections are responsible for initiating the write-off of property considered as unusable, uneconomical to repair or lost. The Local Property Survey Board (LPSB) is responsible for advising the Director of Mission Support on the disposal of assets considered as unusable, uneconomical to repair or lost. The Property Disposal Unit, within the Property Management Section, is responsible for organizing and planning the physical and non-commercial disposal of all assets written off. The Unit had 13 staff comprising five field service and eight national staff. The Procurement Section is responsible for the commercial disposal of assets.
4. From 1 July 2013 to 31 March 2016, UNAMID wrote off 9,690 pieces of non-expendable assets with a depreciated value of \$14.7 million and physically disposed of 9,151 of these assets with a depreciated value of \$12.1 million through cannibalization, destruction, direct disposal and commercial sale.
5. Comments provided by UNAMID are incorporated in italics.

### II. OBJECTIVE AND SCOPE

6. The audit of 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 asset disposal activities in UNAMID**.
7. The audit was included in the 2016 risk-based work plan of OIOS because of the operational and financial risks related to asset disposal activities in UNAMID.
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: (a) exist to guide asset disposal activities in UNAMID; (b) are implemented consistently; and (c) 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 April to May 2016. The audit covered the period from 1 July 2013 to 31 March 2016.

11. 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

12. The UNAMID governance, risk management and control processes examined were assessed as **partially satisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of asset disposal activities in UNAMID**. OIOS made two recommendations to address the issues identified.

13. UNAMID had properly established its LPSB and accurately classified and wrote off assets in compliance with relevant policies and delegation. However, UNAMID needed to: (a) ensure that self-accounting units promptly identify loss, damage, shortage or discrepancy in assets entrusted to them and referred the results of completed investigations to the LPSB; and (b) expedite the disposal of 539 pieces of written off non-expendable assets with a depreciated value of \$2.5 million and establish contracts for the disposal of scrap metals, used tyres, electronic waste and used batteries.

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 two important recommendations remains in progress.

**Table 1: Assessment of key control**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of asset disposal activities in UNAMID	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

### Regulatory framework

#### UNAMID properly established its Local Property Survey Board

15. The Director of Mission Support’s delegation of authority for property management from the Department of Field Support (DFS) and United Nations financial rule 105.21 require UNAMID to establish an LPSB comprising finance, legal, property control, administrative, military/police officers and an ex-officio member to investigate and report to the Director of Mission Support on the loss or damage of United Nations property.

<sup>1</sup> 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.

16. UNAMID had established its LPSB comprising finance, legal, property control, administrative, military/police officers and an ex-officio member to investigate and report to the Director of Mission Support on the loss or damage of United Nations property. A review of the asset write-off process in UNAMID and the terms of reference and minutes of all the nine meetings of the LPSB held during the audit period concluded that UNAMID had properly established an LPSB with terms of reference that was consistent with the requirements of the DFS delegation authority and LPSB met with agendas that included key aspects relating to property disposal.

Need for timely identification of assets for write-off and prompt asset write-off process

17. The DFS/Department of Peacekeeping Operations (DPKO) Property Management Manual requires UNAMID self-accounting units to promptly identify loss, damage, shortage or discrepancies in assets entrusted to them and initiate write-off actions. The self-accounting units are required to refer: loss, damage, shortage or discrepancy in assets to the Special Investigations Unit (SIU) within 12 months of identifying such loss, damage, shortage or discrepancy; and (b) completed investigations to the LPSB.

18. A review of asset disposal records in Galileo and interview of SIU staff and the Property Control and Inventory Unit (PCIU) staff indicated that self-accounting units did not take verifiable actions such as physical verifications and inspection of their assets to initiate write-off actions for assets considered as lost, damaged and not economical to use. Also, self-accounting units did not promptly initiate write-off actions for discrepancies identified by PCIU. For example, self-accounting units did not promptly initiate write-off actions for 520 assets with depreciated value of \$2.09 million that PCIU was unable to locate during its periodic physical verifications in fiscal years 2012/13, 2013/14 and 2014/15. On 1 April 2015, PCIU referred all 520 unlocated assets to SIU for investigation. However, neither the self-accounting units nor PCIU followed up to obtain reports of investigations and appropriately referred the assets with completed investigations to the LPSB.

19. The above resulted because the Property Management Section did not enforce effective oversight and follow-up procedures to ensure that self-accounting units identified loss, damage, shortage or discrepancy of assets, initiated the related write-off actions in a timely manner, and followed up on cases referred to SIU by PCIU. As a result, there was a risk of theft of assets and financial misstatement related to the value of non-expendable assets.

**(1) UNAMID should enforce effective oversight and follow-up procedures to ensure that self-accounting units: (a) promptly identify loss, damage, shortage or discrepancy in assets entrusted to them and initiate related write-off actions; and (b) refer cases with completed investigation to the Local Property Survey Board.**

*UNAMID accepted recommendation 1 and stated that it was enhancing the verification process of all assets to accelerate the processing of write-off cases and ensure shortages and losses were identified and the asset register adjusted. UNAMID also stated that it would invoke the special provisions in its delegation of authority for property management, which requires the LPSB to deliberate on and recommend write-off actions even where the investigation was incomplete and/or ongoing. Recommendation 1 remains open pending receipt of evidence that UNAMID has enhanced asset verification process to accelerate the processing of write-off cases and taken actions to ensure that the LPSB promptly deliberate and recommend write-off actions on all cases.*

There were adequate controls related to the classification and writing off of Category "A" cases

20. The Director of Mission Support's delegation of authority for property management from DFS, the DFS/DPKO Property Management Manual and the DFS guidelines require the LPSB to: investigate and validate the classification of loss, damage, shortage or discrepancy of asset as Category "A"<sup>2</sup> case; make recommendations to the Director of Mission Support to write off assets related to Category "A" cases; indicate the degree of and attach responsibility for assets related cases involving financial assessment; and obtain the Headquarters Property Survey Board's (HPSB) clearance and approval of the maximum amount to be recovered by UNAMID. The delegation of authority, DFS/DPKO Property Manual and DFS guidelines also require the Director of Mission Support to act directly and finally on LPSB recommendations to write off assets not involving financial assessment.

21. The audit work included: review of the minutes of LPSB meetings, asset records in Galileo and a sample of 26 Category "A" cases involving 179 pieces of non-expendable property with a depreciated value of \$1.46 million out of 114 Category "A" cases involving 286 pieces of non-expendable property with a depreciated value of \$1.94 million. The audit results indicated that: (a) the LPSB had properly investigated and validated the classifications of losses, damages, shortages or discrepancies of assets as Category "A" cases; and (b) the Director of Mission Support acted directly and finally on the LPSB recommendations by writing off all 176 pieces of non-expendable property. The LPSB also indicated the degree of and attached responsibility for the only two cases in the sample that warranted such actions and, after obtaining approval from HPSB for one case, UNAMID recovered the assessed amount and was waiting for approval from HPSB for the other case.

22. OIOS concluded that UNAMID implemented adequate controls to ensure that assets were accurately classified as Category "A" cases and written off based on the LPSB recommendation.

There were adequate controls related to the classification and writing off of Category "SB" cases

23. The Director of Mission Support's delegation of authority for property management from DFS, the DFS/DPKO Property Management Manual and DFS guidelines require the LPSB to properly classify category "SB"<sup>3</sup> cases and the Director of Mission Support to: write off assets related to "SB" cases after obtaining approval from the Assistant Secretary-General for Central Support Services (ASG/OCSS); and recover the maximum amount assessed and approved by the HPSB.

24. A review of the minutes of LPSB meetings, asset records in Galileo and all 17 Category "SB" cases processed during the audit period involving 25 pieces of non-expendable assets with a depreciated value of \$777,783 indicated that LPSB properly classified the 17 cases as "SB". Also, the Director of Mission Support: (a) wrote off assets with a depreciated value of \$401,848 related to 11 cases after approval from the ASG/OCSS; and (b) was still waiting for approval from the ASG/OCSS before writing off assets with a depreciated value of \$375,935 related to the other six cases. Additionally, the LPSB had attached responsibility for all eight cases that warranted such action of which UNAMID: (a) recovered the maximum amount approved by the HPSB from the responsible officer for one case; (b) was still waiting

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<sup>2</sup> Category "A" cases include loss or damage to United Nations property with a depreciated value of more than \$3,000 and less than or equal to \$25,000 that is caused by contractor personnel; accident leading to total loss of usability; and theft, forced abandonment, etc.

<sup>3</sup> Category "SB" cases involve: property with an individual depreciated value in excess of \$25,000; loss or damage that might result in financial assessment; possible claims against a Member State providing contingent personnel; gift, donation, or sale at a nominal price; and lost or damaged property (with depreciated value in excess of \$25,000) by contractor personnel



for approval from the HPSB for another case; and (c) absorbed the costs related to the other six cases based on the advice of the HPSB.

25. OIOS concluded that UNAMID had implemented adequate controls to ensure the proper classification and write-off of Category "SB" cases.

There were adequate controls related to the classification and writing off of Category "AW" cases

26. The Director of Mission Support's delegation of authority for property management from DFS, the DFS/DPKO Property Management Manual and DFS guidelines for LPSB cases require: UNAMID self-accounting units to properly classify losses, damages, shortages or discrepancies in assets entrusted to them as administrative write-off cases referred to as Category "AW"<sup>4</sup> cases; and the Director of Mission Support to act directly and finally on Category "AW" cases, without LPSB investigation and recommendation, irrespective of value, provided the reason for write-off relates to normal wear and tear.

27. A review of asset records in Galileo and a sample of 60 Category "AW" cases involving 2,382 pieces of non-expendable assets with a depreciated value of \$4.1 million out of 1,496 Category "AW" cases involving 9,379 pieces of non-expendable assets with a depreciated value of \$12.0 million indicated that: (a) UNAMID self-accounting units had properly classified all the 60 cases as Category "AW"; and (b) the Director of Mission Support had acted directly and finally by writing off all 2,382 assets without investigation and LPSB recommendation.

28. OIOS concluded that adequate controls were in place to ensure the proper classification and write-off of category "AW" cases.

Need for prompt disposal of assets and scrap

29. The DFS/DPKO Property Management Manual and UNAMID standard operating procedures require the Property Disposal Unit, in coordination with self-accounting units and the Procurement Section to: dispose of written off assets using the methods recommended by the LPSB; prepare related disposal certificates; and remove such assets from active inventory records. The Manual also requires the Property Disposal Unit, with the assistance of the Procurement Section, to establish contracts for the commercial disposal of waste such as scrap metal in a timely and environmentally friendly manner.

30. A review of the disposal process for a sample of 2,665 pieces of non-expendable assets with a depreciated value of \$6.8 million out of 9,690 non-expendable assets with a depreciated value of \$14.7 million written off during the audit period indicated that UNAMID disposed of 2,126 of the sampled assets with a total depreciated value of \$4.4 million using the disposal methods recommended by the LPSB and prepared the related disposal certificates as follows:

- (a) Cannibalization and scrap (850 assets with a depreciated value of \$1.7 million);
- (b) Destruction (94 assets with a depreciated value of \$175,078);
- (c) Direct disposal or scrap (857 assets with a depreciated value of \$1.3 million);
- (d) Commercial sale (265 assets with a depreciated value of \$578,488); and
- (e) Removal from records (60 assets with a depreciated value of \$590,457) reported as lost in Galileo.

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4 Category "AW" cases include property with individual depreciated value of less than or equal to \$3,000 not covered under categories "A" and "SB" cases.

31. However, UNAMID had not disposed of 539 pieces of the sampled non-expendable assets, which the LPSB had recommended for commercial sale including: (a) 368 vehicles with a depreciated value of \$1.4 million; and (b) 171 pieces of non-expendable assets including heavy-duty engineering equipment, trucks, sea containers and prefabricated accommodations with a depreciated value of \$1.1 million. Additionally, UNAMID had not disposed of 1,517 pieces of scrap metal from the destroyed and cannibalized non-expendable assets, and 4,607 pieces of electronic waste, used tyres and batteries accumulated since the inception of the Mission.

32. The above resulted because UNAMID: (a) experienced challenges in obtaining the host government's approval for commercial sale of the 368 vehicles; (b) had not taken action to sell 171 pieces of non-expendable assets despite the host government providing "no objection" to such sales in its communication dated 29 December 2014; and (c) did not have a contract for the disposal of scrap metals and used tyres since 30 September 2014 when its scrap disposal contract expired. In October 2014 and March 2016, UNAMID cancelled two procurement exercises to establish a new contract for the disposal of scrap metals and used tyres due to irregularities in the process. However, it had not since initiated a new procurement exercise. UNAMID had never established a contract for disposal of electronic waste and used batteries.

33. As a result, there was a risk of financial loss and negative environmental impact related to holding assets and scrap for extended periods.

**(2) UNAMID should take appropriate actions to: (a) expedite the disposal of 539 pieces of non-expendable assets with a depreciated value of \$2.5 million that the Local Property Survey Board recommended for commercial sale; and (b) establish contracts for the disposal of scrap metals, used tyres, electronic waste and used batteries.**

*UNAMID accepted recommendation 2 and stated that, based on guidance received from Headquarters, it was engaging the host government to find solution that was consistent with local regulations and the Mission's environmental obligations for the disposal of vehicles and other commodities identified for commercial sale. UNAMID also advised that it was in the process of reviving the contracts for scrap metals and recyclables to identify specialist services for handling hazardous waste including electronics with technical support from the United Nations Global Support Centre. Recommendation 2 remains open pending receipt of evidence that UNAMID has: (a) appropriately disposed of 539 pieces of non-expendable assets; and (b) identified specialist services for handling hazardous waste.*

#### IV. ACKNOWLEDGEMENT

34. 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 asset disposal activities in the African Union-United Nations Hybrid Operation in Darfur

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNAMID should enforce effective oversight and follow-up procedures to ensure that self-accounting units: (a) promptly identify loss, damage, shortage or discrepancy in assets entrusted to them and initiate related write-off actions; and (b) refer cases with completed investigation to the Local Property Survey Board.	Important	O	Receipt of evidence that UNAMID has enhanced asset verification process to accelerate the processing of write-off cases and taken actions to ensure that the LPSB promptly deliberate and recommend write-off actions on all cases.	30 June 2017
2	UNAMID should take appropriate actions to: (a) expedite the disposal of 539 pieces of non-expendable assets with a depreciated value of \$2.5 million that the Local Property Survey Board recommended for commercial sale; and (b) establish contracts for the disposal of scrap metals, used tyres, electronic waste and used batteries.	Important	O	Receipt of evidence that UNAMID has: (a) appropriately disposed of 539 pieces of non-expendable assets; and (b) identified specialist services for handling hazardous waste.	31 March 2017

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> 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*

23 August 2016

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

From: *for* Martin Uhomoibhi,  
Joint Special Representative and Joint Chief Mediator  
UNAMID

Subject: **Draft report on an audit of asset disposal and LPSB in the African Union-United Nations Hybrid Operation in Darfur (Assignment No. AP2016/634/01)**

1. With reference to your memorandum of 10 August 2016, on the captioned-subject matter, please find attached UNAMID's response (Appendix 1) to the draft report for your consideration.
2. I further confirm on the factual accuracy of the report.

Thank you.

cc: Mr. Anthony Nweke, OiC, Mission Support Division, UNAMID  
Mr. Khalid Younis, Chief, Property Management Section, UNAMID  
Ms. Eleanor T. Burns, Director, Internal Audit Division, OIOS  
Mr. Velayutham Gopal, Audit Focal Point, UNAMID  
Mr. Edward Zornelo, OIC, UNAMID Resident Audit Office, Internal Audit Division, OIOS  
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

**Management Response**  
**Audit of asset disposal activities in the African Union-United Nations Hybrid Operation in Darfur**

Rec. no.	Recommendation	Critical 9/ Important <sup>10</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should enforce effective oversight and follow-up procedures to ensure that self-accounting units: (a) promptly identify loss, damage, shortage or discrepancy in assets entrusted to them and initiate related write-off actions; and (b) refer cases with completed investigation to the Local Property Survey Board.	Important	Yes	Property Management Section  UNAMID Self Accounting Units (SAUs)  Security Investigation Unit (SIU)  Local Property & Survey Board	(a) 31 December 2016 (b) 30 June 2017	(a) The Mission is conducting an enhanced verification process of all assets in preparation for Galileo Decommissioning. This project will accelerate the processing of write-off cases thereby ensuring shortages and losses are identified and adjusted in the Mission's Asset register. Losses requiring UN Security Investigation (SIU) is expected to be completed not later than 31 December 2016.  (b) The Mission clarifies the following: The Special Provisions in the Amended Delegation of Authority for Property Management (2011), allows the Local Property & Survey Board (LPSB) to deliberate and recommend write-off action even where the investigation is incomplete and/or ongoing. This has been clarified by Property Management Unit, UNHQ to include evidence of a Security Report being made. In that regard, UNAMID would going

<sup>9</sup> 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.

<sup>10</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

**Management Response**  
**Audit of asset disposal activities in the African Union-United Nations Hybrid Operation in Darfur**

						forward, invoke the special provisions outlined above if the cases warrants so. UNAMID anticipates to complete all write off process by 30 June 2017.
2	UNAMID should take appropriate actions to: (a) expedite the disposal of 539 pieces of non-expendable assets with a depreciated value of \$2.5 million that the Local Property Survey Board recommended for commercial sale; and (b) establish contracts for the disposal of scrap metals, used tires, electronic waste and used batteries.	Important	Yes	Officer-in-Charge, Integrated Warehousing Section	31 March 2017	<p>(a) Further to guidance received from UNHQ, the Mission remains engaged with the host government to find an acceptable resolution for the disposal of vehicles and other commodities identified for commercial sale. The solution sought will be consistent with local regulations and UNAMID's environmental obligations;</p> <p>(b) UNAMID is actively pursuing the revival of contracts for scrap metals and recyclables. Initiatives to identify specialist services for handling hazardous waste including electronics (e-Waste) is in process with technical support from the Global Support Centre, Brindisi.</p>