



## INTERNAL AUDIT DIVISION

### REPORT 2015/183

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Audit of asset disposal and Local Property Survey Board activities in the United Nations Support Office in Somalia

Overall results relating to the effective management of asset disposal and Local Property Survey Board activities in the United Nations Support Office in Somalia were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

18 December 2015  
Assignment No. AP2015/638/02

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# AUDIT REPORT

## Audit of asset disposal and Local Property Survey Board activities in the United Nations Support Office in Somalia

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset disposal and Local Property Survey Board (LPSB) activities in the United Nations Support Office in Somalia (UNSOS).
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. United Nations financial rules govern the asset disposal activities of UNSOS. UNSOS self-accounting units such as Transport and Engineering Sections are responsible for initiating the write-off of property considered as unusable, uneconomical or lost. The LPSB is responsible for advising the Director of UNSOS in respect of loss, damage and other discrepancy regarding United Nations property reported by self-accounting units. The Property Disposal Unit, within the Property Management Section, is responsible for organizing, planning and physical and non-commercial disposals of all assets written off by the Director based on LPSB recommendation. The Unit had six staff comprising two field service and four national staff. The Procurement Section is responsible for the commercial disposal of assets.
4. From 1 July 2012 to 30 June 2015, UNSOS wrote off 3,252 non-expendable assets with a depreciated value of \$5.8 million and physically disposed of 2,359 of these assets with a depreciated value of \$4.5 million through cannibalization, destruction, direct disposal and commercial and residual sale.
5. Comments provided by UNSOS are incorporated in italics.

### II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNSOS governance, risk management and control processes in providing reasonable assurance regarding the **effective management of asset disposal and LPSB activities in UNSOS**.
7. The audit was included in the 2014 risk-based work plan of OIOS because of operational and financial risks related to asset disposal and LPSB activities in UNSOS.
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 and LPSB activities in UNSOS; (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 September to November 2015. The audit covered the period from 1 July 2012 to 30 June 2015.

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 UNSOS governance, risk management and control processes examined were initially assessed as **partially satisfactory**<sup>1</sup> in providing reasonable assurance regarding the **effective management of asset disposal and LPSB activities in UNSOS**. OIOS made three recommendations to address the issues identified. UNSOS properly established its LPSB and classified and wrote off assets in accordance with established policies. However, UNSOS needed to: (a) implement effective oversight and follow-up procedures to ensure that self-accounting units promptly initiate write-off actions for discrepancies identified during periodic physical verifications and to ensure accuracy of asset records; (b) segregate scrap for disposal and expedite the procurement process for scrap disposal services to minimize the environmental impact of the African Union Mission in Somalia (AMISOM) and UNSOS operations; and (c) implement, in collaboration with the African Union and troop-contributing countries (TCCs), appropriate arrangements for the prompt and cost-effective disposal of AMISOM scrap.

13. 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 three 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 and LPSB activities in UNSOS	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

### Regulatory framework

UNSOS properly established its Local Property Survey Board

14. The Department of Field Support (DFS) delegation of authority for property management dated 15 May 2013 and United Nations financial rule 105.21 require UNSOS 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 UNSOS on lost or damaged 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.

15. A review of UNSOS property write-off process, the terms of reference and minutes of 10 of the 39 meetings of the LPSB indicated that UNSOS properly established the LPSB. OIOS concluded that adequate controls were in place to ensure that LPSB was properly established.

Need for timely identification of assets for write-off

16. The Department of Peacekeeping Operations (DPKO)/DFS Property Management Manual requires UNSOS self-accounting units to: (a) promptly initiate write-off action by reporting to the Special Investigations Unit (SIU) loss, damage, shortage or discrepancy of United Nations property within 12 months of identifying such discrepancy; and (b) report cases investigated by SIU to the LPSB.

17. A review of physical verification reports and list of active assets in Galileo and the summary of investigation requests received by SIU as at October 2015, and interview with SIU staff indicated that, from July 2013 to June 2015, the Property Control and Inventory Unit identified discrepancies related to 152 non-expendable assets with depreciated value of \$153,000. However, more than 16 months after identifying the discrepancies, self-accounting units had not initiated the write-off of 147 assets with a total depreciated value of \$136,000 by reporting the discrepancies to SIU and LPSB. This was because UNSOS had not implemented adequate oversight and follow-up procedures to ensure that self-accounting units promptly initiated write-off actions in respect of discrepancies identified during periodic physical verifications. As a result, there was a risk of financial misstatement related to the value of assets.

**(1) UNSOS should implement effective oversight and follow-up procedures to ensure that self-accounting units promptly initiate write-off actions for discrepancies identified during periodic physical verifications.**

*UNSOS accepted recommendation 1 and stated that it would issue an administrative circular reminding end users and self-accounting units of their reporting responsibility for items not located to expedite write-off actions. Recommendation 1 remains open pending receipt of evidence that UNSOS has implemented effective oversight and follow-up procedures to ensure that self-accounting units promptly initiate write-off actions for discrepancies identified during periodic physical verifications.*

UNSOS properly classified and wrote off assets as recommended by the Local Property Survey Board

18. The DPKO/DFS Property Management Manual and UNSOS delegation of authority for property management and DFS guidelines for LPSB cases require the Director of UNSOS to act directly and finally on recommendations of LPSB related to Category “A” cases<sup>2</sup>, except for cases requiring financial assessment, and LPSB to: separate cases that involve financial assessment from inventory cases; investigate the financial assessment cases and establish the degree of responsibility; and obtain the Headquarters Property Survey Board’s (HPSB) clearance and approval of the maximum amount to be recovered by UNSOS.

19. A review of the minutes of the LPSB meetings, asset records in Galileo and a sample of 40 Category A cases involving 40 pieces of non-expendable property with a total depreciated value of \$386,000 of 289 involving property with depreciated value of \$2 million indicated that: (a) UNSOS appropriately classified all 40 cases as Category A; (b) the Director of UNSOS acted directly and finally on LPSB recommendations by writing off all 40 assets; and (c) the LPSB attached responsibility for 4 of

<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.

the 40 cases that warranted such action and submitted these cases for HPSB approval, and UNSOS recovered the assessed amounts from responsible officers.

20. OIOS concluded that UNSOS implemented adequate controls to ensure that assets were accurately classified as Category “A” cases and written off based on the LPSB recommendation.

UNSOS appropriately submitted cases to the Headquarters Property Survey Board for review and approval

21. The DPKO/DFS Property Management Manual and UNSOS delegation of authority for property management and DFS guidelines for LPSB cases require LPSB to submit SB cases<sup>3</sup> together with its recommendation to the HPSB for review and subsequent approval by the Assistant Secretary-General for Central Support Services prior to write-off by UNSOS. The guidelines also require UNSOS to recover the maximum amount approved by the HPSB where the LPSB has identified the need for financial responsibility.

22. A review of the minutes of the LPSB meetings, asset records in Galileo and a sample of 11 Category “SB” cases involving 11 non-expendable assets with a depreciated value of \$529,000 out of 16 with a depreciated cost of \$712,000 indicated that: (a) UNSOS properly classified all 11 cases as “SB”; (b) LPSB submitted these cases together with its recommendations to the HPSB and the Assistant Secretary-General for Central Support Services approved these cases before UNSOS wrote-off the assets; (c) LPSB assessed and did not attach responsibility for any of the cases as such action was not warranted; and (d) UNSOS wrote off the assets based on the Assistant Secretary-General for Central Support Services’ approval.

23. OIOS concluded that UNSOS had implemented adequate controls to ensure the proper classification and write-off of Category “SB” cases.

UNSOS had properly classified and wrote off administrative cases related to assets

24. The DPKO/DFS Property Management Manual and UNSOS delegation of authority for property management and DFS guidelines for LPSB cases require the Director to act directly and finally on administrative write-off cases referred to as Category “AW”, without LPSB investigation and recommendation, irrespective of value, provided the reason for write-off relates to normal wear and tear. “AW” cases also include property with individual depreciated value of less than or equal to \$3,000 not covered under Categories “A” and “SB” cases.

25. A review of the minutes of the LPSB meetings, asset records in Galileo and a sample of 90 category “AW” cases involving 90 pieces of non-expendable assets with a depreciated value of \$478,000 out of 2,947 assets with a depreciated value of \$3 million indicated that the Director of UNSOS acted directly and finally by writing off all 90 assets without investigation and LPSB recommendation. UNSOS properly classified these cases as “AW”. OIOS concluded that adequate controls were in place to ensure the proper classification and write-off of category “AW” cases.

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<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.

Need for measures for cost-effective disposal of scrap

26. The Property Management Manual and UNSOS standard operating procedures require the Property Disposal Unit, in coordination with self-accounting units, to: dispose of assets per LPSB recommendations; prepare disposal certificates to support the final disposal of assets; comply with disposal restrictions for end users and applicable host country regulations; and remove such assets from active inventory records. The Memorandum of Understanding between the United Nations and the African Union for the provision of support to AMISOM requires UNSOS to support AMISOM with the disposal of hazardous materials.

27. A review of the disposal process for 161 pieces of non-expendable assets with a depreciated value of \$1.6 million out of 3,252 non-expendable assets with a depreciated value of \$5.8 million written off during the audit period and field visits to the Mogadishu International Airport camp and Mombasa Support Base showed that UNSOS disposed of 107 pieces of non-expendable assets with a total depreciated value of \$1.2 million, based on the recommendations of LPSB, as follows:

- Cannibalization (32 assets with a depreciated value of \$0.6 million);
- Destruction (12 assets with a depreciated value of \$0.3 million);
- Direct disposal or scrap (55 assets with a depreciated value of \$0.3 million);
- Commercial sale (8 assets with a depreciated value of \$33,000); and
- Removal from records (54 assets with a depreciated value of \$377,000) reported as loss in Galileo.

28. Additionally, UNSOS: appropriately prepared disposal certificates and removed assets disposed of from records; complied with disposal restrictions for end users and host country regulations for five cases of disposal of electronic waste included in the sample; and obtained competitive bids for disposals by commercial sale. However, UNSOS had not disposed of scrap from over 2,500 destroyed and cannibalized non-expendable assets that were stored in the UNSOS disposal yard. UNSOS advised that over 80 per cent of the scrap belonged to AMISOM and TCCs and, while it continued to support AMISOM with managing their scrap, there were still challenges related to the African Union's write-off policies and procedures.

29. The above resulted because: (a) UNSOS had not prioritized the implementation of measures such as the segregation of scrap for disposal and those that UNSOS did not intend to dispose of and establishment of a contract for the disposal of scrap; (b) AMISOM and TCCs had not requested UNSOS to dispose of their scrap; and (c) UNSOS had not been proactive in requesting AMISOM for a plan of action and decision related to AMISOM scrap stored in the UNSOS disposal yard.

30. As a result, UNSOS incurred storage costs for scrap, and there was an environmental risk related to holding such scrap for extended periods. UNSOS stated that it initiated the procurement of disposal services but discontinued the process due to a poor response rate and high quotations by the vendors that responded.

**(2) UNSOS should implement appropriate measures to segregate scrap for disposal and expedite the procurement process for scrap disposal services.**

*UNSOS accepted recommendation 2 and stated that it developed a statement of work and had received a letter dated 8 December 2015 from the African Union requesting UNSOS to dispose of AMISOM scrap. Recommendation 2 remains open pending receipt of evidence that UNSOS has segregated scrap for disposal and the identified scrap has been disposed of.*

**(3) UNSOS, in collaboration with the African Union and troop-contributing countries, should implement appropriate arrangements for the prompt and cost-effective disposal of AMISOM scrap.**

*UNSO*S accepted recommendation 3 and stated that it received a letter dated 8 December 2015 from the African Union requesting *UNSO*S to dispose of AMISOM scrap and that it would dispose of the scrap in accordance with applicable policies and guidelines. Recommendation 3 remains open pending receipt of evidence that *UNSO*S, in collaboration with African Union and TCCs, has implemented appropriate arrangements for prompt and cost-effective disposal of AMISOM scrap.

#### **IV. ACKNOWLEDGEMENT**

31. OIOS wishes to express its appreciation to the management and staff of *UNSO*S 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 asset disposal and Local Property Survey Board activities in the United Nations Support Office in Somalia

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	UNSOS should implement effective oversight and follow-up procedures to ensure that self-accounting units promptly initiate write-off actions for discrepancies identified during the periodic physical verifications.	Important	O	Receipt of evidence that UNSOS has implemented effective oversight and follow-up procedures to ensure that self-accounting units promptly initiate write-off actions for discrepancies identified during periodic physical verifications.	15 January 2016
2	UNSOS should implement appropriate measures to segregate scrap for disposal and expedite the procurement process for scrap disposal services.	Important	O	Receipt of evidence that UNSOS has segregated scrap for disposal and the identified scrap has been disposed of.	30 September 2016
3	UNSOS, in collaboration with the African Union and troop contributing countries, should implement appropriate arrangements for the prompt and cost-effective disposal of AMISOM scrap.	Important	O	Receipt of evidence that UNSOS, in collaboration with African Union and TCCs, has implemented appropriate arrangements for prompt and cost-effective disposal of AMISOM scrap.	30 September 2016

<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 UNSOS in response to recommendations.

# **APPENDIX I**

## **Management Response**



**United Nations Support Office IN SOMALIA (UNSOS)**

**Interoffice Memorandum**

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

**Date:** 17 December 2015

**From:** Amadu Kamara, Director UNSOS

A handwritten signature in blue ink, appearing to read 'Amadu', is written over the 'From:' field.

**Subject:** **Response to draft report on audit of asset disposal and property survey board activities in UNSOS (Assignment No. AP2015/638/08)**

1. Further to your memorandum of 16 December 2015 on the above subject, please find appended the UNSOS response on the draft report in the provided format.
2. We thank you for your continuing support to the work of UNSOS.

**cc:** Mr. Harjit Dhindsa, Deputy Director, UNSOS  
Mr. Robert Kirkwood, Head of Somalia Support, UNSOS  
Ms. Mehret Asefaw, Chief Property Management Section, UNSOS  
Mr. Dolapo Kuteyi, Senior Administrative Officer, UNSOS  
Mr. Bolton Tarleh Nyema, Chief Peacekeeping Audit Service, IAD, OIOS  
Ms. Andrea Charles-Browne, Chief Resident Auditor, IAD, UNSOS  
Ms. Cynthia Avena-Castillo, Professional Practices Section, IAD, OIOS

## Management Response

## Audit of asset disposal and Local Property Survey Board activities in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSOS should implement effective oversight and follow-up procedures to ensure that self-accounting units promptly initiate write-off actions for discrepancies identified during the periodic physical verifications.	Important	Yes	PMS/Director	15 January 2016	UNSOS management will issue an Administrative Circular reminding end users and Self Accounting units of their reporting responsibilities for items not located in order to expedite write-off action.
2	UNSOS should implement appropriate measures to segregate scrap for disposal and expedite the procurement process for scrap disposal services.	Important	Yes	PMS/PDU	30 September 2016	Management seeks to advise the auditors that a statement of work for the sale of scrap has been submitted to UNSOS Procurement. UNSOS has also received a letter dated 8 December 2015 from the African Union, requesting UNSOS to conduct the disposal of AMISOM scrap. This requirement will also be included in the statement of work.
3	UNSOS, in collaboration with the African Union and troop contributing countries, should implement appropriate arrangements for the prompt and cost-effective disposal of AMISOM scrap.	Important	Yes	-PMS/PDU -Procurement -AMISOM -Somali Government Tax and Environmental Entities	30 September 2016	UNSOS management is progressively implementing this recommendation. As indicated above, the AU has sent a letter to UNSOS to dispose of the AMISOM scrap. This will be done in accordance with applicable UN/AU and international and local policies and guidelines.

<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.