



## **INTERNAL AUDIT DIVISION**

### **REPORT 2022/073**

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#### **Audit of asset management in the United Nations Interim Security Force for Abyei**

**The Mission needed to improve the  
management and oversight over its assets  
and address gaps in the understanding and  
application of the requirements of the United  
Nations policy framework for International  
Public Sector Accounting Standards**

**19 December 2022  
Assignment No. AP2022-635-01**

# **Audit of asset management in the United Nations Interim Security Force for Abyei**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted an audit of asset management in the United Nations Interim Security Force for Abyei (UNISFA). The objective of the audit was to assess the adequacy and effectiveness of asset management in UNISFA. The audit covered the period from 1 January 2020 to 31 December 2021 and included safeguarding of assets, record-keeping and data quality.

The Mission needed to improve the management and oversight over its assets and address gaps in the understanding and application of the requirements of the United Nations policy framework for International Public Sector Accounting Standards.

OIOS made five recommendations. To address issues identified in the audit, UNISFA needed to:

- Ensure that: (a) warehouse and technical unit personnel maintain accurate and up-to-date records on assets, including records on the movement and location of assets, and assign custody of all issued assets to an accountable United Nations personnel; and (b) the ongoing investigations into the six missing vehicles are concluded and appropriate action is taken.
- Complete the ongoing physical verification and impairment reviews of all infrastructure assets and ensure that these processes are carried out annually.
- Ensure that infrastructure assets are adequately identified to enable accurate verification.
- Conduct verification and valuation of all Mission-owned assets in use by the fuel contractor and ensure they are barcoded and recorded as part of the Mission's inventory in Umoja; and implement a mechanism to ensure that assets that are acquired by the Mission as part of turnkey contracts are recognized and recorded in Umoja upon delivery of the assets to the Mission.
- Put in place a review mechanism by the Financial Resourcing and Performance Unit to ensure that constructed assets are adequately capitalized and meet the capitalization criteria prescribed by the United Nations policy framework for International Public Sector Accounting Standards.

UNISFA accepted all recommendations and has initiated action to implement them.

# CONTENTS

I. BACKGROUND	1-2
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	2
III. AUDIT RESULTS	2-6
A. Measures to safeguard the Mission's assets	2-5
B. Accounting and accuracy of asset records	5-6
IV. ACKNOWLEDGEMENT	6
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

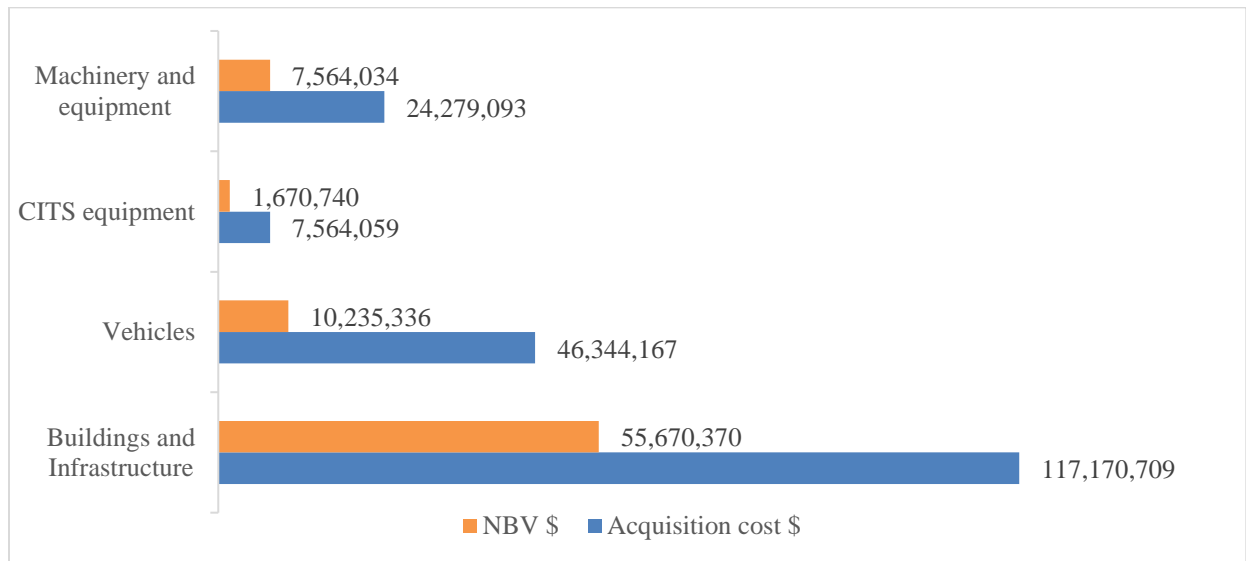
# Audit of asset management in the United Nations Interim Security Force for Abyei

## I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of asset management in the United Nations Interim Security Force for Abyei (UNISFA).

2. UNISFA's fixed assets<sup>1</sup> comprise machinery and equipment, communication and information technology services (CITS) equipment, and buildings and infrastructure assets. The minimum capitalization thresholds are \$100,000 for buildings and infrastructure, \$20,000 for equipment and \$5,000 for vehicles and CITS equipment. As of 31 December 2021, the acquisition cost of fixed assets held by the Mission was \$195 million with a net book value (NBV) of \$75 million, as shown in figure 1.

**Figure 1 - UNISFA asset acquisition cost and net book value as of 31 December 2021 (in United States dollars)**



Source: UNISFA Umoja asset records

3. The UNISFA Chief of Mission Support has the overall responsibility for the management of the Mission's assets. The Performance Management Unit (PMU) is responsible for property management functions and is made up of two cells: (a) the Reporting and Data Quality Cell responsible for ensuring the accuracy and data quality of asset records; and (b) the Property Management Cell responsible for physical verification of all assets and for providing mission-wide guidance and support. The technical units, which include transport, engineering, life support services and field technology are responsible and accountable for assets entrusted to them.

4. Asset management in UNISFA is governed by the property management manual for United Nations peacekeeping missions, the centralized warehousing operations manual for field missions, Financial Regulations and Rules of the United Nations, the United Nations policy framework for International Public

<sup>1</sup> Fixed assets comprise machinery and equipment, communication and information technology services equipment, buildings and infrastructure assets.

Sector Accounting Standards (IPSAS), United Nations administrative instructions on management of property and the UNISFA property management standard operating procedures (SOPs).

5. Comments provided by UNISFA are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

6. The objective of the audit was to assess the adequacy and effectiveness of asset management in UNISFA.

7. This audit was included in the 2022 risk-based work plan of OIOS due to the operational and financial risks related to managing assets in UNISFA. The last OIOS audit of asset management was conducted in 2013.

8. OIOS conducted this audit from June to August 2022 and covered the period from 1 January 2020 to 31 December 2021. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in asset management, which included assets safeguarding, record-keeping and data quality.

9. The audit methodology included: (a) interviews with key personnel, (b) a review of relevant documentation, (c) an analytical review of asset data extracted from Umoja, and (d) physical verification of a judgmentally sampled 157 asset records and a review of 132 Mission-owned assets in use by a fuel contractor.

10. The audit excluded the management of expendables/consumable assets, which will be covered separately in an audit of warehouse management.

11. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

## **III. AUDIT RESULTS**

### **A. Measures to safeguard the Mission's assets**

#### Need to ensure that asset records are updated to reflect their current location, condition and accountable staff

12. United Nations assets should be monitored and controlled throughout their life cycle from receipt to disposal. Proper management of assets requires accurate and up-to-date information on the location, condition, and custody of the assets to always enable effective tracking of assets.

13. UNISFA did not maintain accurate records on the location and custody of assets. Fifty-five (or 49 per cent) of 102 equipment and vehicles selected by OIOS for verification had inaccurate records regarding their physical location and mechanical condition. For example, while 15 equipment items had been issued and found to be in use at the time of the audit, the records indicated that they were still in storage and not in use. There were also 14 equipment items that had been issued out of storage and were in use, but they had not been assigned to any accountable staff member.

14. In addition, OIOS was not able to physically locate five heavy-duty vehicles recorded in Umoja with an acquisition cost of \$849,144 and NBV of \$152,886. The physical locations of the vehicles had also not been updated to enable accurate tracking of the vehicles. Table 2 below shows details of the five missing

vehicles. A concerted effort by Mission management later located three of the five missing heavy-duty vehicles with the following technical numbers: MID 073763, SDS-Z-016451 and SFA 67875. However, according to the Mission, the remaining two forklift vehicles (MID 073764 and MID 054856) never arrived in the Mission and were erroneously recorded in the Mission’s asset records by the receiving and inspection staff. At the time of the audit, UNISFA management was still investigating how these vehicles were received and recorded in the asset records in Umoja without an inspection voucher.

**Table 2: UNISFA details of missing vehicles**

Vehicle type	Equipment number	Technical ID number	Acquisition value (US\$)	Net book value (US\$)
NISSAN, Cargo, LHD,4x4	16979055	MID 073763	84,966	0
MANITOU, Forklift, Telescopic,16T,4x4	16985910	MID 073764	263,990	0
IVECO, Trakker, Water,20000L, LHD,6x6	16999426	SDS-Z-016451	135,145	66,446
MANITOU, Forklift, Telescopic,16T,4x4	17012891	MID 054856	297,852	24,821
Forklift, Rough Terrain, LD, Diesel,4x4	19794045	SFA 67875	67,191	61,619
		<b>Total</b>	<b>849,144</b>	<b>152,886</b>

Source: UNISFA Umoja asset records

15. Further, OIOS was informed that between February and June 2022, six other vehicles were reported to the Mission’s Special Investigations Unit (SIU) as missing from the central warehouse. On 15 June 2022, SIU issued a preliminary investigation report on one of the vehicles, indicating that SIU made concerted efforts to trace the vehicle within the Mission. However, there was no documented trail of the vehicle movements, and SIU was not able to locate the vehicle. The report highlighted weaknesses in the oversight of assets, especially by central warehouse personnel concerning maintaining a record trail of the movement of vehicles. Investigations into the circumstances surrounding the six missing vehicles were ongoing at the time of the audit.

16. The above happened because established procedures on recording, tracking and issuing assets were not followed. Warehouse staff did not update Umoja records promptly whenever an asset was issued. If asset records are not updated timely, effective tracking and oversight over assets may be compromised. Besides, it was also difficult to provide any assurance on the optimization of assets because the data on how long assets were in use or storage was not reliable.

**(1) UNISFA should ensure that: (a) warehouse and technical unit personnel maintain accurate and up-to-date records on assets, including records on the movement and location of assets, and assign custody of all issued assets to an accountable United Nations personnel; and (b) the ongoing investigations into the six missing vehicles are concluded, and appropriate action is taken.**

*UNISFA accepted recommendation 1 and stated that the Mission would: (a) maintain accurate records of location and custody of assets; and (b) upon conclusion of the investigation of the six missing vehicles, take appropriate action.*

## Need to conduct comprehensive annual physical verifications and impairment tests for all capitalized assets

16. Physical verification of all assets should be conducted at least once yearly to ensure adequate property control. All equipment should be assigned a unique serial number and barcoded to enable tracking, and asset records should identify the United Nations official accountable for the property. Further, in accordance with the United Nations policy framework for IPSAS, all assets should undergo a review of their useful life and impairment at each reporting date for the statement of financial position. Impairment reviews are also required in the event of an accident or natural disaster and during asset verification.

17. A sample of 157 assets with an acquisition cost of about \$53 million and NBV of \$23 million was judgmentally selected from assets records in Umoja and verified against the Mission's physical assets. The sample comprised 55 buildings and infrastructure assets with an acquisition value of about \$43 million, NBV of \$22 million, and 102 items of equipment and vehicles with an acquisition value of about \$10 million and NBV of \$1.3 million. The following gaps were noted:

- Before March 2022, UNISFA did not conduct physical verification of buildings and infrastructure assets. The first verification exercise only commenced in March 2022, and as of June 2022, 50 (44 per cent) of 113 assets had been physically checked. The exercise was still ongoing at the time of the audit, and the Mission explained that the slow pace was because the exercise was being conducted for the first time, and challenges were being faced in locating infrastructure assets, especially those that were constructed.
- A review of the Mission's asset verification results also revealed that staff carrying out the physical verification only focused on confirming the physical existence of the assets and did not consider their condition despite the visible deterioration of all assets inspected by OIOS. As a result, there are several building and infrastructure assets whose netbook value in the asset records cannot be supported by the underlying assets and will need to either be written down or written off as they are significantly impaired and no longer offer any economic value to the Mission. For example, a chain link fence that was installed at the airport in Athony at the cost of \$2 million had been vandalized and no longer existed, and yet at the time of the audit, this asset was still reflected in the Mission's records with an NBV of \$680,872.
- OIOS also reviewed 14 murrum roads that had been capitalized between 2006 and 2019. The total capitalized value of the roads was approximately \$11 million and NBV of \$5 million. OIOS was unable to reliably verify the physical existence of the 14 roads, and the Engineering Unit personnel explained that these roads should never have been capitalized in the first place as their useful lives were always less than one year. As a result, given the time that lapsed since their capitalization, the roads had been eroded and the asset values reflected in the asset records could not be supported by the underlying physical assets. The need for regular impairment tests was also underscored by the Mission's supply chain performance report for the period July 2020 to June 2021, which showed that 96 per cent of the Mission's equipment had passed its useful life. The lack of impairment review may mean that the Mission's asset balances are overstated.

18. The inability to physically locate the 14 murrum roads referenced above was because asset records were not sufficiently descriptive to enable the verification of their existence and value. Generic references were used to describe the roads, and key data required for verification and impairment reviews such as actual location and dimensions of assets were missing. During the audit, OIOS had to rely on the historical knowledge of engineering personnel to identify some of the selected fixed assets. For example, there were 11 road assets with the reference "road gravel" and one with the reference "road (dirt)", and therefore, it was impossible to reliably match the records to the physical roads in the camp.

19. UNISFA informed OIOS that the current asset verification exercise and reporting were cumbersome, time-consuming and inefficient. Therefore, the Mission intended to address these challenges by leveraging on the Smart Camp project, which uses the Unite Field Remote Infrastructure Monitoring as the enabling technology platform. It was piloted in the Mission in 2018 with the aim of supporting and improving service delivery in the Mission by providing real-time data to enable efficient and effective operational and strategic decisions. This was enabled by installing sensors and devices on mission equipment such as generators, water boreholes, processing plants, wastewater plants and accommodation units which collect data metrics that are analyzed and used to optimize resource usage. It is envisaged that sensors installed on Mission equipment will be leveraged to provide real-time asset verification information in the future and hence address the shortcomings arising from the manual physical verification process and improve the quality of data on asset inventories. OIOS will review the automation and reporting of the asset verification process as part of a planned audit of the implementation of the Smart Camp initiatives in UNISFA.

**(2) UNISFA should complete the ongoing physical verification and impairment review of all infrastructure assets and ensure that these processes are carried out annually.**

*UNISFA accepted recommendation 2 and stated that the Mission would ensure that physical verification and impairment review of all infrastructure assets is consistently carried out on an annual basis.*

**(3) UNISFA should ensure that infrastructure assets are adequately identified to enable accurate verification.**

*UNISFA accepted recommendation 3 and stated that the Mission would complete the review and identification of infrastructure assets and assigning the appropriate naming convention in Umoja.*

## **B. Accounting and accuracy of asset records**

Need to ensure that all Mission assets are recognized, recorded and accounted for in line with the United Nations policy framework for International Public Sector Accounting Standards

20. The United Nations policy framework for IPSAS provides the fundamental guidance surrounding the classification, recognition, measurement and disclosure requirements of fixed assets to ensure accurate reporting of the Mission's asset records.

21. A review of 132 Mission-owned assets in use by a fuel contractor and 55 sampled building and infrastructure assets indicated that IPSAS principles were not correctly and consistently applied. For example:

- UNISFA has a turnkey contract with a contractor for the provision of fuel and related services. As part of the contract, the contractor has 132 Mission-owned assets at its disposal, out of which 111 (84 per cent) were not recorded and accounted for in the Mission's assets. This includes vehicles, generators and fuel storage tanks and dispensing equipment. At the time of the audit, the Mission had commenced the exercise of establishing the value of these assets. OIOS review established that PMU staff were not aware of the requirement to record these assets when delivered in the Mission area by the contractor. As a result, these assets were not subject to the Mission's asset management and accounting procedures (such as annual physical verification), thus exposing them to the risk of loss and misuse. This also indicated that the Mission's asset records were not complete.



- A newly constructed helipad that was capitalized in June 2021 at the cost of \$741,231 was significantly undercapitalized. While various expenditures that included contractors' fees and equipment were incurred in the construction of the helipad, only the costs of murrum used in the construction of the asset were capitalized. Management estimated the reasonable cost of the helipad to be over \$1 million; however, not all costs incurred in its construction had been capitalized.
- IPSAS accounting principles require modification costs to be capitalized as part of the modified asset. Guard towers, which were constructed and capitalized at about \$1 million, were subsequently modified to enhance their height. The modification works resulted in an additional cost of \$905,478, which the Mission capitalized and depreciated as a separate asset.
- An asset comprising steel towers and water tanks with a cost of \$386,529 and NBV of \$346,588 had been capitalized in June 2020 despite incomplete work because the contractor lacked the requisite spare parts to execute the contract to completion. The Engineering Unit personnel explained that the complete asset was supposed to comprise steel water tank reservoirs hoisted on steel towers; however, only the steel towers were in place. Although the asset was not useable in its current state, the Mission capitalized and depreciated its cost since June 2020.

22. The above happened because of gaps in the understanding and application of IPSAS principles in accounting for assets and may compromise the accuracy of the Missions financial statements.

- (4) UNISFA should: (a) conduct verification and valuation of all Mission-owned assets in use by the fuel contractor and ensure they are barcoded and recorded as part of the Mission's inventory in Umoja; and (b) implement a mechanism to ensure that assets that are acquired by the Mission as part of turnkey contracts are recognized and recorded in Umoja upon delivery of the assets to the Mission.**

*UNISFA accepted recommendation 4 and stated that the Mission would ensure that assets under turnkey contracts are entered in Umoja in accordance with their capitalization thresholds.*

- (5) UNISFA should: (a) put in place a review mechanism by the Financial Resourcing and Performance Unit to ensure that constructed assets are adequately capitalized and meet the capitalization criteria prescribed by the United Nations policy framework for International Public Sector Accounting Standards (IPSAS); and (b) conduct targeted refresher training on the requirements of IPSAS that addresses the specific knowledge needs and gaps of the various categories of staff tasked with managing the Mission's assets.**

*UNISFA accepted recommendation 5 and stated that the Mission would: (a) ensure that assets under construction are adequately capitalized; and (b) continue to train and guide personnel involved in property and asset management processes on the requirements of IPSAS.*

#### IV. ACKNOWLEDGEMENT

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

Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of asset management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	UNISFA should ensure that: (a) warehouse and technical unit personnel maintain accurate and up-to-date records on assets, including records on the movement and location of assets, and assign custody of all issued assets to an accountable United Nations personnel; and (b) the ongoing investigations into the six missing vehicles are concluded, and appropriate action is taken.	Important	O	Receipt of evidence that the Mission has put in place a mechanism to ensure accurate records of location and custody of assets are maintained, including evidence that a thorough investigation has been conducted regarding the missing vehicles and appropriate action has been taken.	31 December 2023
2	UNISFA should complete the ongoing physical verification and impairment reviews of all infrastructure assets and ensure that these processes are carried out annually.	Important	O	Receipt of evidence that physical verification and impairment review of all infrastructure assets are consistently carried out on an annual basis.	31 December 2023
3	UNISFA should ensure that infrastructure assets are adequately identified to enable accurate verification.	Important	O	Receipt of evidence that a mechanism to ensure that infrastructure assets are adequately identified to enable accurate verification is implemented.	31 December 2023
4	UNISFA should: (a) conduct verification and valuation of all Mission-owned assets in use by the fuel contractor and ensure they are barcoded and recorded as part of the Mission's inventory in Umoja; and (b) implement a mechanism to ensure that assets that are acquired by the Mission as part of turnkey contracts are recognized and recorded in Umoja upon delivery of the assets to the Mission.	Important	O	Receipt of evidence that all assets in use by the fuel contractor have been recorded in Umoja as part of the Mission's assets, and that the Mission has implemented a mechanism to ensure that assets acquired as part of turnkey contracts are recognized and recorded in Umoja upon delivery of the assets to the Mission.	31 December 2023
5	UNISFA should: (a) put in place a review mechanism by the Financial Resourcing and Performance Unit to ensure that constructed assets	Important	O	Receipt of evidence that a mechanism to ensure that Mission constructed assets are adequately capitalized is in place and targeted refresher	31 December 2023

<sup>2</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>3</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

<sup>4</sup> Please note the value C denotes closed recommendations whereas O refers to open recommendations.

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

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of asset management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
	are adequately capitalized and meet the capitalization criteria prescribed by the United Nations policy framework for International Public Sector Accounting Standards (IPSAS); and (b) conduct targeted refresher training on the requirements of IPSAS that addresses the specific knowledge needs and gaps of the various categories of staff tasked with managing the Mission's assets.			training sessions on the IPSAS requirements have been conducted.	

# **APPENDIX I**

## **Management Response**

UNITED NATIONS



NATIONS UNIES

UNISFA

United Nations Interim Security Force for Abyei

قوة الأمم المتحدة المؤقتة في أبيي

INTER OFFICE MEMORANDUM

DATE: 13 December 2022

UNISFA/MHQ/HOM/IOM/046/2022

**To:** Ms. Fatoumata Ndiaye,  
Under-Secretary-General  
For Internal Oversight Services

**From:** Major General Benjamin Olufemi Sawyerr  
*For* Acting Head of Mission and Force Commander  
UNISFA

**Subject:** Draft report on an audit of asset management in the United Nations Interim Security Force for Abyei (Assignment AP2022-635-01)

1. I am pleased to inform you that I have received the above-mentioned report.
2. I welcome the findings and recommendations of the report which forms a good basis for further improving the management and oversight of assets in UNISFA. Accordingly, my team has developed the attached action plan to respond to the recommendations and will report to me on progress regularly.
3. I would like to take this opportunity to thank the OIOS team for its efforts and cooperation with the UNISFA focal points.
4. Thank you and best regards.

## Management Response

### Audit of asset management in the United Nations Interim Security Force for Abyei

Rec. no.	Recommendation	Critical/ Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNISFA should ensure that: (a) warehouse and technical unit personnel maintain accurate and up-to-date records on assets, including records on the movement and location of assets, and assign custody of all issued assets to an accountable United Nations personnel; and (b) the ongoing investigations into the six missing vehicles are concluded, and appropriate action is taken.	Important	Yes	a. Chiefs of Technical Units and Central Warehousing Unit b. Chiefs of Central Warehousing Unit and Transport Unit	31 December 2023	a. UNISFA will maintain accurate records of location and custody of assets. b. Upon conclusion of the investigation, UNISFA will take appropriate action.
2	UNISFA should complete the ongoing physical verification and impairment reviews of all infrastructure assets and ensure that these processes are carried out annually.	Important	Yes	Chief of Performance Management Unit, Chief of Engineering Unit, Chief of Finance and Budget Unit	31 December 2023	UNISFA will ensure that physical verification and impairment review of all infrastructure assets is consistently carried out on an annual basis.
3	UNISFA should ensure that infrastructure assets are adequately identified to enable accurate verification	Important	Yes	Chief of Engineering Unit, Chief of Performance Management Unit	31 December 2023	UNISFA will complete the review and identification of infrastructure assets assigning the appropriate naming convention in Umoja.
4	UNISFA should: (a) conduct verification and valuation of all Mission-owned assets in use by the fuel contractor and ensure they are barcoded and recorded as part of the Mission's inventory in Umoja; and (b) implement a mechanism to ensure that assets that are acquired by the Mission as part of turnkey contracts are recognized and recorded in Umoja upon delivery of the assets to the Mission	Important	Yes	Chief of Technical Units managing turnkey contracts, Chief of Performance Management Unit, Chief of Finance and Budget Unit	31 December 2023	UNISFA will ensure that Mission assets under turnkey contracts are entered in Umoja in accordance with their capitalization thresholds.

<sup>1</sup> Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

<sup>2</sup> Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Rec. no.	Recommendation	Critical/ Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	<p>UNISFA should: (a) put in place a review mechanism by the Financial Resourcing and Performance Unit to ensure that constructed assets are adequately capitalized and meet the capitalization criteria prescribed by the United Nations policy framework for International Public Sector Accounting Standards (IPSAS); and (b) conduct targeted refresher training on the requirements of IPSAS that addresses the specific knowledge needs and gaps of the various categories of staff tasked with managing the Mission's assets.</p>	Important	Yes	Chiefs of Finance and Budget, Performance and Engineering Unit.	31 December 2023	<p>(a) UNISFA will ensure that assets under construction are capitalized.</p> <p>(b) UNISFA will continue to train and guide personnel involved in property and asset management processes within the IPSAS framework.</p>