ANNEX 2

COMPLETE MONUSCO RESPONSE AND ITS TREATMENT IN THE FINAL REPORT

Assignment no. AP/2011/620/02 audit of contingent owned equipment in MONUSCO

OIOS OBSERVATIONS	MANAGEMENT COMMENTS	OIOS DISPOSITION OF MANAGEMENT COMMENTS
Internal controls over Contingent Owned Equipments (COEs) were unsatisfactory due to lack of oversight by the COE Memorandum of Understanding Review Board and lack of safety inspections.		
EXECUTIVE SUMMARY **BACKGROUND** Troop and police contributing countries (T/PCCs) contribute personnel and related equipment to the United Nations peacekeeping missions in order to accomplish their assigned tasks. The United Nations reimburses T/PCCs for the use of their equipment – contingent-owned equipment (COE) and the provisions of logistics support as stipulated in the Memorandum of Understanding (MoU) signed between the both parties. T/PCCs are reimbursed under wet or dry leases at rates adopted by the General Assembly. Reimbursement is limited to those items of serviceable major equipment (including associated minor equipment and consumables) specifically agreed to by the United Nations. The troop and police strength in MONUSCO is about 18,000, and there are 61 Memoranda of Understanding (MoUs) listing the type of equipment, services and personnel to be deployed. **OBJECTIVE AND SCOPE** This audit was conducted to assess the adequacy and effectiveness of MONUSCO's risk management, control and governance processes in providing reasonable assurance regarding the achievement of its verification and control procedures to ensure the terms of the MoUs were met by the T/PCCs and the United Nations. The key controls tested for the audit included those related to: (a) oversight mechanisms		

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and (b) regulatory framework. The audit covered MONUSCO COE activities related to the two key controls for the period from 1 July 2009 to 31 December 2010.		
AUDIT RESULTS In OIOS' opinion, MONUSCO's risk management control and governance processes examined were **unsatisfactory** to provide reasonable assurance regarding the effective management of COE in the Mission. This was due to the lack of a functioning COE and Memorandum of Understanding Management Review Board (CMMRB) and the lack of roadworthy safety inspections, as follows: (a) A CMMRB was established in June 2008, and met for the first time in November 2009. At this meeting, due to the many issues to be addressed, a Working Group was established to propose the actions to be taken and assign responsibility for their implementation. The Working Group made a number of critical recommendations including the need to: (a) ensure that the serviceability of life-saving equipment and sustaining equipment was at the 90 per cent level at all times; and (b) consult with Headquarters on the dimensions of vehicles and equipment provided by T/PCCs so that they conform to the carrying capacity and volume of United Nations helicopters and fixed wing aircrafts. The CMMRB had not convened to review and address the recommendations of the Working Group, citing competing priorities. As a result, critical issues remained unresolved. (b) Roadworthy safety surveys were not being conducted by the Transport Section, although the reports of the COE Unit showed serviceability percentages that were below the required level of 90 per cent. The faults reported included faulty engines, faulty brakes, and use of worn out tires among others.		

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It was noted that maintenance schedules were not being adhered to. Despite these mechanical faults, some vehicles were being driven, compromising safety. **To strengthen MONUSCO's internal controls over its management of COE, OIOS recommends that MONUSCO: (a) reconvenes its CMMRB and thereafter it should meet regularly in order to resolve issues under its terms of reference and make sure that its decisions are documented and timelines for their implementation are established and adequately followed up until implemented; and (b) ensure that periodic safety inspections of contingent-owned vehicles are conducted to ascertain their roadworthiness, and those that are not roadworthy are repaired or replaced.**	*Recommendation accepted: Yes* *Implementation date: 24 June 2011* *Risk Category: Compliance* *The MONUSCO Office of Mission Support accepted recommendation 1 and stated that the Contingent-owned Equipment Management Review Board (CMMRB) meeting was convened on 24 June 2011. MONUSCO will ensure that CMMRB meets regularly to resolve issues under its terms of reference. The implementation of the Operational Readiness Inspection (ORI) by COE Unit will enhance roadworthiness inspections. It also stated that it is the responsibility of contingents and not the Mission to repair or replace unserviceable COE and the Mission Support Division, Police Commissioner or Force Commander cannot compel compliance. Management will therefore use the CMMRB to promote this objective. During the equipment serviceability review,*	**Recommendation 1** in the final report. Recommendation 1 remains open pending confirmation of the conduct of the ORI by the COE Unit and evidence of the reporting of unserviceabiltiy issues to UNHQ and the Permanent Missions (PMs) of the concerned contingents.

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	contingents that do not meet the necessary standards will be reported to UNHQ. The Permanent Mission (PM) of the affected TCC will be formally requested to take appropriate action to return all COE that does not meet established serviceability standards.	
I. INTRODUCTION 1. The Office of Internal Oversight Services (OIOS) conducted an audit of contingent-owned equipment in the United Nations Stabilization Mission in the Democratic Republic of the Congo (MONUSCO). **II. AUDIT OBJECTIVE** 2. The audit was conducted to determine whether MONUSCO implemented adequate risk management, control and governance mechanisms to provide reasonable assurance regarding the effective achievement of its verification and control procedures to ensure the terms of the MoU were met by both parties. The key controls tested for this purpose included those related to: (a) oversight mechanisms; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows: (a) Oversight mechanisms – those controls that provide reasonable assurance over supervision and evaluation of activities to ensure that risks and opportunities are identified and appropriate response or action plans are developed to mitigate risks and take advantage of opportunities.		

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(b) Regulatory framework – those controls designed to provide reasonable assurance that policies and procedures exist to guide the management of the COE activities. **III. AUDIT SCOPE AND METHODOLOGY** 3. OIOS conducted this audit from January to April 2011 in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by The Institute of Internal Auditors. 4. The audit covered MONUSCO COE activities related to the two key controls for the period from 1 July 2009 to 31 December 2010, as well as a follow-up on the status of OIOS' previous recommendations, and those of the Board of Auditors. 5. To gain a general understanding of the processes of MONUSCO's oversight mechanisms and regulatory framework, OIOS interviewed staff members from the COE Unit, personnel from the offices of the Force Commander and the Police Commissioner, the Transport Section and Fuel Unit. OIOS reviewed documentations obtained from the COE Unit and Transport Section, data extracted from the COE and the Mission Electronic Fuel Accounting System (MEFAS) databases, and minutes of meetings of the COE Memorandum of Understanding Review Board (CMMRB) and its working group. Also, reports of inspections done by the Office of the Force Commander, and December 2009 and 2010 unserviceable major and minor equipment reports covering the period from 1 July 2009 to 31 December 2010 were reviewed. OIOS reviewed and tested MONUSCO's compliance with the COE Manual, MoUs, the Department of Field Support (DFS) guidelines on field verification and control of COE, and the Provisional Surface Transport Manual and other instructions and guidance issued by DFS and the Mission. OIOS conducted an activity-level risk assessment to identify and evaluate specific risk exposures, and to		

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confirm the relevance of the selected two key controls in mitigating the associated risk. 6. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of policies and procedures and also whether they were implemented consistently. A sample of 38 out of 384 inspection reports and the minutes of the CMMRB and its working group meetings (only one meeting had been held) were selected for more in-depth testing. Field visits were undertaken to Bunia and Kinshasa to observe on-going inspections, and to contingents to obtain feedback on the inspections done. **IV. OVERALL ASSESSMENT** In OIOS' opinion, the risk management, control and governance process examined were **unsatisfactory,** due to the lack of a functioning COE and Memorandum of Understanding Management Review Board (CMMRB) and independent operational readiness inspections, MONUSCO's risk management, control and governance processes needed improvement to provide reasonable assurance regarding the achievement of the objective of managing COE in the Mission.		
A. Oversight mechanisms 7. Controls relating to oversight mechanisms needed improvement to provide reasonable assurance over supervision and evaluation of activities to ensure that risks and opportunities are identified and appropriate response or action plans are developed to mitigate risks and take advantage of opportunities. There were opportunities for improvement, as the MONUSCO CMMRB was not functioning effectively. This was due to the lack of regular meetings to: (a) oversee the implementation of the COE programme; (b) recommend amendments to MoUs as a result of changes in operational requirements and contingents' performance; (c) ensure optimal utilization of		

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resources in support of the Mission; (d) review and recommend cost-effective support solutions; and (e) ensure compliance with MoU and COE verification and reporting procedures. **MONUSCO's CMMRB was ineffective** 8. Based on the previous audit of the management of COE (AP2007/620/03), in June 2008, MONUSCO established a CMMRB to oversee the management of COE. The CMMRB met for the first time on 29 November 2009. In that meeting, the Members realized that there were many issues needing attention and a Working Group was established to review what needed to be addressed, to propose action to be taken and to assign responsibility for those actions. 9. The Working Group met on 18 January 2010 and made a number of recommendations to the CMMRB including; a. Force Headquarters to write to contingents to ensure serviceability level of life-saving and sustaining equipment was at the required 90 per cent level at all times and all vehicles are serviceable for road movement when tasked. b. United Nations Headquarters (UNHQ) be consulted to ensure the dimensions of vehicles and equipment provided by T/PCCs conformed to the carrying capacity and volume of United Nations helicopters and fixed wing aircrafts; c. Modification of the MoUs to allow troops to be directly involved in the management of United Nations Owned Equipment (UNOE) and supplies in high risk locations, where civilians were not present.		

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10. The CMMRB had not yet convened to review and address the recommendations made by the Working Group, citing competing priorities. In addition to the outstanding recommendations, there were a number of unresolved issues, which have remained for extended periods including disagreements between the COE Unit and the Office of the Force Commander on the criterion for declaring COE unserviceable; non-compliance with verification requirements in the case of operational readiness inspections (ORI), and shortfalls in self-sustainment. For instance, a vehicle emitting heavy black smoke, and a cracked windscreen was considered unserviceable by the COE Unit in the verification report sent to DFS, but it was considered operational by the Military for performing its tasks. These issues should have been brought to the attention of the CMMRB and resolved quickly to ensure COE was managed in a consistent and coherent manner. **Recommendation 1** **(1) The MONUSCO Office of Mission Support should ensure that the Contingent-owned equipment and Memorandum of Understanding Management Review Board meets regularly to resolve issues under its terms of reference and make sure that its decisions are documented and timelines for their implementation are established and adequately followed up until implemented.**	*Recommendation accepted: Yes* *Implementation date: 24 June 2011* *Risk Category: Compliance* *The MONUSCO Office of Mission Support accepted recommendation 1 and stated that the Contingent-owned Equipment Management Review Board (CMMRB) meeting was convened on 24 June 2011. The deliverables from that meeting are:* *a. Communication to UNHQ*	**Recommendation 1**: Based on action taken, recommendation 1 has been closed.

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	conveying the Force Commander's recommendation for a military capability review of MONUSCO. *b. Where contingents are identified as not meeting serviceability requirements of the MOU, this will be formally brought to the attention of the Military Advisor, Police Advisor, Director LSD and Director FBFD for action.* *c. Agreement that Operational Readiness Inspections (ORI) will be conducted by the COE Unit. The draft SOP for the conduct of inspections has been presented, and will be augmented by Military and Police as required.* *d. Next CMMRB is to be scheduled shortly after completion of the current COE verification inspection.* *MONUSCO will ensure that CMMRB meets regularly to resolve issues under its terms of reference.*	
Percentage of serviceability of COE needed improvement 11. A review of the December 2009 and 2010 unserviceable major and minor equipment reports covering the period from 1 July 2009 to		

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31 December 2010 was performed. This report captures the cumulative effect of all the quarterly verification reports completed by the COE Unit. Eleven out of 26 infantry battalions (42 per cent) had COE serviceability percentages below the required 90 per cent for two consecutive years (ranging from 25 per cent to 90 per cent). Also, 19 out of 41 enabling units (e.g., hospitals, engineering companies, Formed Police Units) had serviceability percentages below the required 90 per cent. 12. Furthermore, according to the MoU between T/PCCs and United Nations, 38 contingents were to be self-sustained in water production through use of their own water treatment plants. However, 17 contingents representing 45 per cent had less than the required level of serviceability of 90 per cent in December 2010. This was due to inadequate stocks of spare parts delaying the planned maintenance schedules. The lack of attention to this was further compounded by inadequate management oversight by the CMMRB to enforce timely maintenance or replacement of COE. **Recommendation 2** **(2) The MONUSCO Office of Mission Support in consultation with the Force Commander and Police Commissioner should ensure that periodic unserviceable equipment reports are reviewed and unserviceable equipment repaired or replaced in a timely manner.**	*Recommendation accepted: Yes* *Implementation date: 24 June 2011.* *Risk category: Compliance* *The MONUSCO Office of Mission Support accepted recommendation 2 and stated that Contingent serviceability was discussed in detail at the CMMRB held on 24 June 2011 and contingents that do not meet their MOU equipment*	**Recommendation 2** in the final report. Recommendation 2 remains open pending confirmation that action has been taken to address the deficient serviceability issues with the Permanent Missions.

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	serviceability requirements were identified. Faxes to UNHQ are being prepared to address these issues with the respective Permanent Missions (PMs). The specific shortfalls will also be made available so that the PMs can correct the deficiencies. While contingents, not the mission, are responsible for repair and replacement of COE, MONUSCO will continue to pursue serviceability concerns to the PM through the DPKO Military and Police Advisors and Directors of Logistics Support Division (LSD) and Field Budget and Finance Division (FBFD).	
B. Regulatory Framework 13. Regulatory framework controls provided reasonable assurance that policies and procedures existed to guide responsible staff in the management of COE. However, there were opportunities for improvement, as procedures relating to Operational Readiness Inspections (ORIs), safety, monitoring and reporting of COE for insurance purposes and the monitoring of fuel usage were not always complied with. 14. OIOS selected and reviewed one arrival inspection report (only one arrival occurred during the period under review), 7 of 17 repatriation reports and 30 out of 366 quarterly verification reports. No ORIs had been done by the COE Unit, and the reason for this is discussed below. In general, OIOS concluded that the arrival, repatriation and quarterly inspections were conducted in compliance		

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with operational guidelines.		
A. Independent ORI needed to be done 15. It is the responsibility of the COE Unit to ensure the operational readiness of equipment and/or services specified in the MoU are verified. ORIs may be conducted with little notice when conditions exit that give rise to concern that the terms of the MoU are not being met. According to DFS' guidelines on field verification and control of COE, the COE Unit is to conduct ORIs, and these should be carried out once per mandate or once every six months. Also, the CMMRB should review the results of ORIs, measure contingents' performance, analyze major shortfalls and recommend remedial actions. 16. During the audit period, no ORIs were conducted by the COE Unit. This was mainly due to a lack of consensus between the Force Commander (FC) and Police Commissioner (PC), and the COE Unit as to whose responsibility it was for conducting ORIs in the Mission. The Offices of the FC and PC conducted bi-annual inspections. However, these inspections reports (although referred to by the military as ORIs) were distributed within the military and police chains of command only, and were considered as internal, used for decision-making by the FC and PC. The need for the COE Unit to independently conduct ORIs was clarified to MONUSCO by Logistics Support Division, DFS in March 2010. 17. During the audit, it was agreed by MONUSCO's Office of Mission Support that the COE Unit should start performing ORIs as required by the COE Manual. The issue was also being raised again with the FC in order to obtain his agreement. **Recommendation 3**	*Recommendation accepted: Yes*	**Recommendation 3** in the final

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(3) The MONUSCO Management should ensure that operational readiness inspections are conducted by the Contingent-owned Unit to periodically independently verify that the terms and conditions of the Memoranda of Understanding with contributors are being met.	*Implementation date: October 2011* *Risk category: Operational* *The MONUSCO Office of Mission Support accepted recommendation 3and stated that the ORIs are to be conducted by the COE Unit. The first ORI is planned during the periodic verification inspection Phase – IV (October – December) reporting period.*	report. Recommendation 3 remains open pending confirmation that ORI had been carried out.
Safety inspections of COE were not conducted to ascertain road worthiness of COE 18. The Chief Transport Officer (CTO) is responsible for conducting vehicle safety surveys to ascertain the road worthiness of COE. Recommendations to the Office of Mission Support and the FC and PC should be made if these safety surveys conclude that vehicles are unsafe to drive. 19. No safety surveys were being conducted by the Transport Section, although the reports of the COE Unit showed serviceability percentages that were below the required level of 90 per cent. The faults reported included faulty engines, gear boxes, brakes, clutches and injection pumps, and worn out tires among others. It was noted that maintenance schedules were also not being adhered to. 20. Despite these mechanical faults, some of these vehicles were being driven, compromising safety. The MEFAS database showed that 60 out of 73 vehicles which had been classified by the COE Unit as unserviceable were still receiving fuel, implying that they were being driven. In addition, OIOS noted during the review of the reports of the		

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ORI teams of the FC that there was a particular contingent without adequate qualified drivers to operate the COE. These issues need to be brought to the attention of the CMMRB for appropriate action. **Recommendation 4** **(4) The MONUSCO Office of Mission Support in consultation with the Force Commander/Police Commissioner should ensure that: (i) periodic safety inspections of the contingent-owned vehicles are conducted to ascertain their roadworthiness; and (ii) contingent-owned vehicles declared not roadworthy are repaired or replaced.**	*Recommendation accepted: Yes* *Implementation date: Not provided* *Risk category: Operational* *The MONUSCO Office of Mission Support accepted recommendation 4 and stated that Management concurs with the recommendation and action has been completed as follows:* • *Periodic Safety Inspections: The COE Unit conducts inspections throughout the year to establish COE serviceability status. The implementation of the ORI by COE Unit will enhance roadworthiness inspections. COE will be tested under simulated operations targeted to specific classes of equipment.* • *Repair and replacement of COE declared not*	**Recommendation 4** in the final report. Recommendation 4 remains open pending confirmation of the conduct of the ORI by the COE Unit and evidence of the reporting of unserviceability issues

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	roadworthy: It should be noted that it is the responsibility of contingents and not the mission to repair or replace unserviceable COE and the Mission Support Division, Police Commissioner or Force Commander cannot compel compliance. Management will therefore use the CMMRB to promote this objective. During the equipment serviceability review, contingents that do not meet the necessary standards will be reported to UNHQ. The PM of the affected TCC will be formally requested to take appropriate action to return any and all COE that does not meet established serviceability standards.	
Monitoring and reporting of levels of COE for insurance purpose needs to be done 21. The CTO is responsible for the insurance and numbering of United Nations and COE vehicles. The CTO provides technical guidance on the roadworthiness of equipment/vehicles and provides insurance coverage, which is procured by Headquarters or locally. All		

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changes in the size of fleets should be recorded on the Monthly Insurance Report sent to the Surface Transport Section in DFS. Where the size of the fleet changes by more than five per cent, a premium adjustment may be required. When vehicles/equipments are declared unserviceable, the CTO should cancel insurance coverage and such vehicles should not be driven until faults are rectified. *22.* As of 31 December 2010, the Mission had 1,836 contingent vehicles/equipment recorded in the COE Unit database. However, there was insurance coverage for 3,245 vehicles/equipment; an excess of 1,409. The Mission could not provide the cost of the excess as the insurance coverage was done by Headquarters to cover all Missions. This large discrepancy in the number of vehicles resulted as the Transport Section did not use current status of vehicles/equipment to update its insurance coverage. The Transport Section stated that as information on unserviceable COE/repatriated vehicles was only up-dated quarterly, the COE database records did not meet their monthly requirement. This however did not adequately explain the large discrepancy, and crosschecking of data on a quarterly basis would have ensured a better estimate of the number of serviceable vehicles requiring insurance coverage in the Mission. **Recommendation 5** **(5) The MONUSCO Office of Mission Support should establish a process to ensure that unserviceable or repatriated contingent owned equipment are reported to the Transport Section in a timely manner in order to remove them from MONUSCO's insurance policy.**	*Recommendation accepted: Yes* *Implementation date: Implemented* *Risk category: Operational* *Management The MONUSCO Office of Mission Support accepted recommendation 5 and stated that the following measures have been emplaced to ensure that Transport Section is informed of*	**Recommendation 5** not in the final report. Based on action taken, recommendation 5 has been closed.

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	unserviceable or repatriated COE in a timely manner: • *Read access to the COE database has been provided to the Transport Section operators. The Business Objects tool produces a report from the latest verification data and generates updated COE serviceability and repatriation data.* • *The CTO is now provided with contingent monthly reports from the Force and Police Headquarters showing the number of COE vehicles for UN insurance coverage.*	
The MEFAS needed to be more regularly updated 23. Records of deployed COE are provided to the Fuel Unit for inclusion in the MEFAS in order to monitor the consumption of fuel. In MONUSCO, some contingents receive fuel in bulk, after approval by the Joint Logistic Operation Centre (JLOC). Contingents are expected to account for this fuel through MEFAS. 24. However when COE was repatriated, records were not being provided by the COE Unit to the Fuel Unit to ensure these equipment/vehicles are deleted from the MEFAS. Although the Fuel Unit had been granted access to the COE database, they were not availing themselves of this facility. As a result, some repatriated COEs appeared in the MEFAS database as receiving fuel. During the audit it was noted that one of the repatriated vehicles had been receiving fuel at		

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two different locations. In addition, since the Mission did not address the issue of unroadworthy COE and JLOC did not have information regarding such COE, equipment with faulty gearboxes, faulty engines, faulty brakes etc. were being fueled and used. From a sample of 73 vehicles (four per cent of COE vehicles), which were classed as unserviceable and/or repatriated, 60 vehicles were still recorded as eligible to receive fuel. *25.* Improved coordination and sharing of information between the Transport Section, Fuel Unit, JLOC and COE Unit will mitigate the risk of misuse or abuse of fuel meant for serviceable COE. **Recommendation 6** **(6) The MONUSCO Office of Mission Support should ensure that records of contingent owned equipment declared to be unroadworthy or that have been repatriated are deleted in the Mission Electronic Fuel Accounting System.**	*Recommendation accepted: Yes* *Implementation date: implemented* *Risk category: Operational* *The MONUSCO Office of Mission Support accepted recommendation 6 and stated that action has been completed. To ensure that the Fuel Unit has up to date data on COE vehicle repatriation and roadworthiness, read access has been provided to MEFAS operators in the COE database, and technical compliance operatives have been designated in Supply Section to monitor MEFAS records*	**Recommendation 6** not in the final report. Based on action taken, recommendation 6 has been closed.