



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of assets disposal during the liquidation of UNMIS

Overall results relating to the effective disposal of assets during the liquidation period in UNMIS were partially satisfactory. Implementation of one important recommendation remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

**1 May 2012
Assignment No. AP2011/632/18**

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AUDIT REPORT

Audit of assets disposal during the liquidation of UNMIS

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of assets disposal during the liquidation period in the United Nations Mission in Sudan (UNMIS).
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. By resolution 1997, the Security Council mandated the liquidation of UNMIS, effective 11 July 2011 with a deadline for completion of 15 December 2011. The liquidation required orderly withdrawal of UNMIS from Sudan and the disposal of equipment and supplies including transfer to other missions. Disposal procedures are governed by the United Nations Financial Regulations and Rules, and the Department of Field Support (DFS) Liquidation Manual. Disposal of assets required coordinated planning by UNMIS and DFS.
4. UNMIS prepared an Assets Disposal Plan (ADP) which was approved by DFS on 3 August 2011. The ADP included 38,159 assets with a depreciated value of \$130 million. More than 26,000 assets with a depreciated value of \$107 million were earmarked for transfer to the United Nations Mission in South Sudan (UNMISS).
5. Comments provided by UNMISS are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit of assets disposal during the liquidation was conducted to assess the adequacy and effectiveness of UNMIS governance, risk management and control processes in providing reasonable assurance regarding the **effective disposal of United Nations assets during the liquidation period**.
7. This audit was included in OIOS 2011 risk-based work plan due to the high value of assets to be disposed of in the liquidation of the Mission.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined regulatory framework as controls designed to provide reasonable assurance that policies and procedures exist to guide the operations for the disposal of assets during the liquidation period.
9. OIOS conducted the audit from July 2011 to October 2011. The audit covered the period from 1 July 2011 to 31 October 2011. The audit was limited to the work done by the Mission leading up to and during the liquidation phase.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

11. In OIOS’ opinion, UNMIS governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **effective disposal of United Nations assets during the liquidation period**. OIOS made one recommendation to address issues identified in the audit. The UNMIS Liquidation Team and DFS are in the process of accounting for all assets that were recorded as ‘Not Found Yet’ in Galileo.

12. The overall rating is based on the assessment of key controls presented in Table 1 below. The final overall rating is partially satisfactory as implementation of the recommendation remains in progress.

Table 1: Assessment of key controls

	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective disposal of United Nations assets during the liquidation period	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

A number of assets categorized for transfer could not be located

13. The Galileo report used as the basis for the approved ADP included 38,159 assets with a depreciated value of \$130 million. These were to be disposed of by: (a) transferring to UNMISS 26,432 assets with a depreciated value of \$107 million; (b) transferring to other missions 2,592 assets with a depreciated value of \$9 million; (c) donating to the Government of Sudan 995 assets with a depreciated value of \$4 million; and (d) selling commercially 8,140 assets with a depreciated value of \$10 million.

14. Subsequent to the preparation and approval of the ADP, in October 2011, self-accounting units (SAUs) determined that 1,506 assets with the acquisition value of \$8.29 million could not be located, and were recorded as ‘Not Found Yet’ in Galileo. These ‘Not Found Yet’ assets should not have been included in the ADP. The ‘Not Found Yet’ category is used as a repository for assets that are lost or missing, are handed-over without up-dating Galileo, or were misclassified when they were recorded in Galileo. During the transfer of assets from UNMIS, about 400 items were located. Nonetheless, as of mid-January 2012, there were 1,111 assets with an acquisition value of \$6 million included in Galileo as ‘Not Found Yet’. The Property Control and Inventory Unit of UNMISS, where most of the assets were transferred, was actively searching for the items.

(1) The UNMIS Liquidation Team, with the assistance of the Department of Field Support, should account for the 1,111 assets that are recorded as ‘Not Found Yet’ in Galileo and dispose of these assets in accordance with the Property Management Manual and the Liquidation Manual.

DFS has provided UNMISS, United Nations Interim Security Forces in Abyei (UNISFA) and Africa Union/United Nations Hybrid Operations in Darfur (UNAMID) guidance on reconciliation of discrepancies identified, as well as guidance on finalization of UNMIS post-liquidation activities. Also, assets recorded as 'Not Found Yet' included items that could not be verified due to hostile security situation in, for example, Abyei and Kadugli that restricted access. Some 329 assets valued at \$835,000 were subsequently found in Abyei and Kadugli camps which have been taken over by UNISFA. Furthermore, following a conflict in Blue Nile State, the Government of the Sudan imposed a restriction on the movement of equipment. Consequently, UNMISS has not been able to complete the receiving and inspection function of all goods from UNMIS. A Note Verbale has been sent to the Permanent Mission of Sudan to the United Nations on this issue. UNMISS will continue to resolve the outstanding issues of liquidation, specifically the 'Not Found Yet' assets. Recommendation 1 remains open pending receipt of evidence that all assets recorded as 'Not Yet Found' have been fully disposed of.

Condition of assets was not assessed prior to the decision to transfer them

15. The life expectancy and current condition of equipment identified for transfer to other missions was not assessed, and there was no cost benefit analysis for the grouping of assets in the ADP. Based on a review by DFS of the ADP, 62 per cent of assets transferred by UNMIS were deemed not fully compliant with the Property Management Manual and required re-categorization. As a result, assets transferred to UNMISS, UNISFA and UNAMID, with an acquisition value of \$71 million and a depreciated value of \$28 million, were initially rejected because they were not in compliance with the established criteria for transfer. This included 7,462 assets with a depreciated value of \$11.6 million that were already beyond life expectancy.

16. UNMIS was of the view that the physical inventory conducted as of 30 June 2011 was adequate to assess the technical condition of the assets. However, this physical inventory only involved the counting of assets. There was no assessment of their technical condition. Nonetheless, as these assets were already located and in use in UNMISS' and UNISFA's area of operations, and due to the critical shortage of assets, UNMISS and UNISFA subsequently accepted the assets pending procurement of replacements. *DFS advised that disposal of assets by UNMIS and replacement of assets by UNMISS and UNISFA involves budgetary decisions. As a result, the UNMIS Liquidation Team decided to transfer assets already in use, and allow the receiving missions to make the write-off and replacement.* OIOS is satisfied with the action being taken.

IV. ACKNOWLEDGEMENT

17. OIOS wishes to express its appreciation to the Management and staff of UNMIS for the assistance and cooperation extended to the auditors during this assignment.



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STATUS OF AUDIT RECOMMENDATIONS

Assignment no. AP2011/632/18 – Audit of assets disposal during the liquidation of UNMIS

Recom. no.	Recommendation	Critical/ ¹ important ²	C/ ³ O	Actions needed to close recommendation	Implementation date ⁴
1	The UNMIS Liquidation Team, with the assistance of the Department of Field Support, should continue to locate / account for the 1,111 assets identified in the 'Not Found Yet' category as of 19 January 2012 and dispose of these assets in accordance with the Property Management Manual and the Liquidation Manual.	Important	O	Receipt of evidence that all assets recorded as 'Not Yet Found' have been fully disposed of.	30 September 2012

1 Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

3 C = closed, O = open

4 Date provided by DFS in response to recommendations.