



INTERNAL AUDIT DIVISION

AUDIT REPORT

Ground transport services in MONUSCO

Overall results relating to effective management of ground transport services in MONUSCO were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

8 June 2012

Assignment No. AP2011/620/12

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AUDIT REPORT

Ground transport services in MONUSCO

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of ground transport services in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
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. The MONUSCO's Transport Section was responsible for supplying and maintaining light passenger vehicles and buses, heavy and specialized engineering equipment, and air-side vehicles and equipment. It was also responsible for maintaining specialized equipment on loan from the Entebbe Logistics Base.
4. The Transport Section for fiscal year 2011/12 had 409 posts including 25 international professional and field service staff, 347 national staff, and 37 United Nations volunteers. The Section was headed by the Chief Transport Officer at the P-5 level, who reported to the Chief of Integrated Support Services. The budgets for the Transport Section for fiscal years 2010/11 and 2011/12, excluding fuel and lubricants which were not included in this audit, were \$22 million and \$16.9 million, respectively. As of the end of February 2012, the vehicle fleet totaled 2,560 units.
5. Comments provided by MONUSCO are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit of ground transport was conducted to assess the adequacy and effectiveness of MONUSCO's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of ground transport services**.
7. This audit was included in the 2011 OIOS risk-based work plan because effective transport services are of critical importance to MONUSCO's operations, and the previous audit in 2007 (AP2007/620/05) identified significant control weaknesses in spare parts management.
8. The key controls tested for the audit were: (a) risk management and strategic planning; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Risk management and strategic planning** - controls that provide reasonable assurance that risks relating to ground transport services are identified and assessed, and that action is taken to mitigate or anticipate risks.
 - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist to guide the operations of ground transport services and are complied with.

9. The key controls were assessed for the control objectives shown in Table 1.
10. OIOS conducted the audit from August 2011 to November 2011 and covered the period from 1 July 2010 to 30 September 2011.
11. 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 assess their effectiveness, including physical verification of vehicles and spare parts in Kinshasa, Goma and Kisangani.

III. AUDIT RESULTS

12. MONUSCO's governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **effective management of ground transport services**. OIOS made four recommendations to address issues identified in the audit. Since OIOS' previous audit in 2007 (AP2007/620/05), there had been improvements in the acquisition and management of spare parts and maintenance of vehicles, and a strategy had been developed for improving ground transport management. The Mission had adopted a new servicing and maintenance regime; and as recommended by OIOS, was formalizing these procedures, as well as developing and make better use of key performance indicators. The Vehicle Establishment Committee (VEC) was reconstituted in 2011 and was convening more regular meetings; but still needed to re-allocate vehicles in accordance with operational requirements. Efforts had been made to identify methods to dispose of waste materials such as tires, batteries and oil in an environmentally-friendly manner.

13. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of the four important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of ground transport services	(a) Risk management and strategic planning	Satisfactory	Satisfactory	Satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Risk management and strategic planning

A short-to-medium term plan for improving ground transport management was in progress

14. The Transport Section had drafted a short-to-medium term plan establishing the main priorities for ground transport in MONUSCO. The plan included: (a) a new organization structure to enhance supervisory capacity and technical specialization; (b) improvements in the acquisition and availability of spare parts and retooling of workshops; (c) a maintenance regime that conforms to manufacturers' specifications; and (d) enhancement of technical skills through training. OIOS was of the view that the plan reflected adequate priorities of MONUSCO's ground transport management. Although the plan was awaiting approval by the Director of Mission Support, some of it was being implemented by the Transport Section. For example, acquisition and availability of spare parts and maintenance regime were being improved. MONUSCO advised that the plan would be finalized by 30 June 2012.

B. Regulatory framework

Procedures for servicing and maintenance of vehicles needed strengthening

(a) Revised procedures for the new servicing policy

15. MONUSCO had implemented the manufacturers' specifications for scheduling service and maintenance of vehicles to address the under-servicing that had characterized the years since the previous audit in 2007. However, revised SOPs had not been developed and disseminated to ensure effective implementation of the new procedures. The new servicing policy had reduced the number of vehicles being off-road to 1.3 per cent of the fleet as at the end of 2010/11 against the target of 5 per cent. There were also induced safety benefits. Vehicles in Kinshasa, Kisangani and Goma were being serviced in a timely manner.

16. The improved servicing of vehicles had increased the value of spare parts consumed, from \$2.5 million in 2009/10 to \$3.3 million in 2010/11. On the other hand, MONUSCO had improved its procurement process for spare parts with the purchases to consumption ratio dropping from 1.44 to 1.22. In 2009/10, MONUSCO's purchases and consumption of spare parts totaled \$3.7 million and \$2.5 million respectively. In 2010/11, the figures were \$3.9 million and \$3.3 million respectively. Therefore 82 per cent of spare parts purchased in 2010/11 were consumed, compared to 69 per cent in 2009/10. This reduced the overall excessive stock levels held by MONUSCO.

(b) Procedures for approval of major repairs

17. There was no process for approving major repairs. During the fiscal year 2010/11, there were 55 major repairs (labour and spare parts), in total costing about \$410,000, with each repair ranging from \$3,000 to \$41,000, all of which were not approved in advance. Considering the costs, repairs needed to be approved in advance and properly supported by a cost benefit analysis.

(c) Spare part inventories

18. Adequate procedures were in place for spare parts inventory. MONUSCO had performed a complete physical inventory as at 30 June 2011, and inventory spot checks were done during the year. Discrepancies identified during these exercises were followed up and investigated accordingly. However, during 2010/11, MONUSCO cannibalized 28 vehicles, and instead of putting the stripped parts into inventory and recording them in Galileo, they were removed from the cannibalized vehicles when needed.

Consequently, there was no record of their use, and due to breaches in security, there were thefts of minor spare parts from the cannibalized vehicles.

(1) MONUSCO should develop standard operating procedures on the new servicing and maintenance regime for vehicles to clarify the procedures to be followed. The procedures should include those to record spare parts taken from cannibalized vehicles, and the need to conduct a cost benefit analysis prior to undertaking major repairs

MONUSCO accepted recommendation 1, and stated that the target date for finalizing the SOPs was 31 December 2012. Recommendation 1 remains open pending receipt of a copy of the SOPs for the new servicing and maintenance regime for ground transport services.

The Transport Section's key performance indicators needed improvement

19. The Transport Section prepared a monthly report on key performance indicators (KPI) for review by management. The report included vehicle availability, number of maintenance work orders and associated cost, as well as details of accidents. In OIOS' view, the KPIs needed to include details such as inventory levels of spare parts relative to consumption, age of vehicle fleet, age of vehicles and unfulfilled purchase orders for spare parts that require expediting. Moreover, while KPIs were diligently prepared, they were not regularly reviewed by management and therefore used for decision-making.

(2) MONUSCO should improve its key performance indicators monthly report so that all relevant measures are included, and it is used by management for decision-making.

MONUSCO accepted recommendation 2, and stated that the KPIs report was being up-dated to include all the relevant measures and will be ready by 31 July 2012. Recommendation 2 remains open pending receipt of a copy of the revised KPIs report reviewed by management.

The functioning of the VEC needed improvement

20. The VEC was responsible for defining vehicle establishment levels in the Mission and approving acquisition and disposal plans. The VEC was not functioning until July 2011, when a new VEC was reconstituted and held its first meeting in July 2011. Its revised terms of reference were approved on 25 November 2011.

21. Mainly due to the absence of an active VEC, the allocation of light vehicles to sections and staff members did not meet MONUSCO's operational requirements. Based on historical utilization data, the Transport Section's analyses showed that substantive sections had a shortfall of 133 vehicles whilst the support/administrative sections had an excess of 204 vehicles.

(3) MONUSCO should ensure that the Vehicle Establishment Committee (VEC) meets regularly in accordance with its recently approved terms of reference to periodically review vehicle allocation. The VEC should also make recommendations to ensure that vehicles are assigned based on operational needs.

MONUSCO accepted recommendation 3 and stated that the VEC is fully established and now meets regularly. Since its establishment, it had convened on 4 July 2011, 2 February 2012 and 19 April 2012. Recommendation 3 remains open pending receipt of evidence that vehicle allocation has been based on operational needs.

Controls had been established to deter unauthorized border crossing in United Nations vehicles

22. Measures had been established to mitigate the risk of unauthorized border crossing by MONUSCO staff. Staff members were required to obtain security clearance before crossing the border and the Transport Unit in Goma required staff members to obtain permits to cross the border in a MONUSCO vehicle. Additionally, the Transport Section was piloting the Global Positioning System (GPS) to track vehicles on a real-time basis. It was being tested in Kinshasa, and planned to be rolled out to Goma and Bukavu by the end of June 2012. This system would also be rolled out to other peacekeeping missions. OIOS is satisfied that adequate procedures were in place.

Waste management procedures needed to be improved

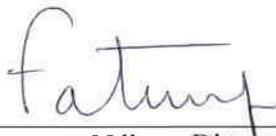
23. MONUSCO had been unable to dispose of waste materials such as tires, batteries and oil in an environmentally friendly manner. There were two contracts for the disposal of oil in Kinshasa and Entebbe. However, arrangements were yet to be finalized for the disposal of used tires and batteries. Waste materials were stock-piled pending finalization of contracts.

(4) MONUSCO should ensure that environmentally-friendly waste disposal procedures for used oil, tires, batteries and other materials are developed and the ongoing procurement of waste disposal services is expedited.

MONUSCO accepted recommendation 4 and stated that there were challenges in finding suitable vendors. However, the number of active contracts for the disposal of waste oil, tires and batteries had increased from 2 to 11 to cover additional field office. In remote areas where there were no vendors, MONUSCO was considering developing an internal waste management and disposal capacity in collaboration with the Environmental Unit and the Property Disposal Unit. Recommendation 4 remains open pending receipt of evidence that adequate waste management procedures are in place.

IV. ACKNOWLEDGEMENT

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



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STATUS OF AUDIT RECOMMENDATIONS
Audit of ground transport services in MONUSCO

Recom. no.	Recommendation	Critical ¹ / important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MONUSCO should develop standard operating procedures on the new servicing and maintenance regime for vehicles to clarify the procedures to be followed. The procedures should include those to record spare parts taken from cannibalized vehicles, and the need to conduct a cost benefit analysis prior to undertaking major repairs.	Important	O	Receipt of a copy of the SOPs for the new servicing and maintenance regime for ground transport services	31 December 2012
2	MONUSCO should improve its key performance indicators monthly report so that all relevant measures are included, and it is used by management for decision-making.	Important	O	Receipt of a copy of the revised KPIs report reviewed by management.	31 July 2012
3	MONUSCO should ensure that the Vehicle Establishment Committee (VEC) meets regularly in accordance with its recently approved terms of reference to periodically review vehicle allocation. The VEC should also make recommendations to ensure that vehicles are assigned based on operational needs.	Important	O	Receipt of evidence that vehicle allocation has been based on operational needs.	30 June 2012
4	MONUSCO should ensure that an environmentally-friendly waste disposal	Important	O	Receipt of evidence that adequate waste management procedures have been	31 December 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 MONUSCO in response to recommendations.

Recom. no.	Recommendation	Critical ¹ / important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	policy for used oil, tires, batteries and other materials is developed and the ongoing procurement of waste disposal services for remote areas is expedited.			implemented.	