



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of disposal of assets in UNMIK

Overall results relating to effective disposal of assets in UNMIK were satisfactory

20 March 2012

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AUDIT REPORT

Audit of disposal of assets in UNMIK

BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the disposal of assets in the United Nations Interim Administration Mission in Kosovo (UNMIK).
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 declaration of Kosovo as an independent state on 17 February 2008 necessitated a reconfiguration of the operational role of UNMIK. This resulted in downsizing of the authorized civilian personnel strength from 4,911 in 2008/09 to 451 in 2010/11, leaving UNMIK with significant quantities of surplus assets that needed to be disposed of. The European Union, through its Rule of Law Mission in Kosovo (EULEX), took an enhanced role in the rule of law. Under a technical agreement, EULEX has assisted UNMIK on the sale of surplus equipment and vehicles, and the use of redundant office space.
4. During the period from 1 January 2009 to 31 December 2010, UNMIK wrote-off and disposed of 25,232 non-expendable assets with an acquisition cost of \$61.4 million and depreciated value of \$14.6 million. Also, 815,627 expendable assets with an acquisition cost of \$4.9 million were disposed of. Table 1 below shows a summary of assets disposed of including the cost and disposal method.

Table 1: Assets disposed of during the two calendar years ended 31 December 2009 and 2010

Disposal method	Non-expendable assets			Expendable assets		Total		
	No. of items	Cost \$'000	Depre. Value \$'000	No. of items	Cost \$'000	No. of items	Cost \$'000	Depre. Value \$'000
Commercial sale	13,505	24,761	4,918	514,330	3,340	527,835	28,101	8,258
Residual price	4,635	22,498	5,641	270,705	654	275,340	23,152	6,295
Gifts/donations	3,543	10,443	3,573	2,456	512	5,999	10,955	4,085
Other ¹	3,549	3,722	502	28,136	449	31,685	4,171	951
Total	25,232	61,424	14,634	815,627	4,955	840,859	66,379	19,589

Note 1: Others include destruction and/or scrap and lost items

5. The United Nations Financial Regulation 5.14 and Financial Rules 105.22 and 105.23 stipulate the rules for disposal of assets. Disposal of assets in UNMIK generally complied with the regulations, policies and procedures. The Department of Field Support (DFS) Property Management Manual outlines the policies and procedures governing the management of property in field missions from receiving and inspection to final write-off and disposal at the end of the item's life cycle.

OBJECTIVE AND SCOPE

6. The audit of disposal of assets in UNMIK was conducted to assess the adequacy and effectiveness of UNMIK governance, risk management and control processes in providing reasonable assurance regarding the **effective disposal of assets**.

7. This audit was included in OIOS 2011 risk-based work plan because of the significant value of disposed assets, and the criticality of ensuring that assets are safeguarded and properly accounted for.

8. The key controls tested for the audit were: (a) delegation of authority; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Delegation of authority** – controls that provide reasonable assurance that authority for the disposal of assets has been formally delegated and was exercised in accordance with relevant regulations and rules, and include periodic reporting and monitoring of the execution of such delegated authority.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist and are implemented to guide the disposal of assets.

9. The key controls were assessed for the control objectives shown in Table 2, of the Assessment of key controls table.

10. OIOS conducted this audit from 13 April 2011 to 2 August 2011. The audit covered the period from 1 January 2009 to 31 December 2010.

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.

AUDIT RESULTS

12. In OIOS opinion, UNMIK governance, risk management and control processes examined were **satisfactory** in providing reasonable assurance regarding the **effective disposal of assets**.

13. The overall rating is based on the assessment of key controls presented in Table 2 below. The Chief of Mission Support (CMS) effectively exercised the delegation of authority for property management upon recommendation of the Local Property Survey Board (LPSB). UNMIK generally complied with the DFS Property Management Manual and the United Nations Financial Regulations and Rules with regard to the disposal of surplus assets. Commercial sales were based on competitive bidding through open tender, and the Headquarters Property Survey Board (HPSB) approved the disposal of assets as gifts to the Government of Kosovo and its agencies. UNMIK could improve on submission of notification of sale with details of the lots sold to Kosovo customs authorities.

Table 2: 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 disposal of assets	(a) Delegation of authority	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Regulatory framework	Satisfactory	Satisfactory	Satisfactory	Satisfactory

Delegation of authority

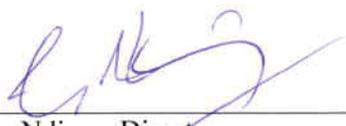
14. In accordance with the delegation of authority, the CMS acted directly on administrative write-off cases for assets valued at less than \$3,000 and de minimis cases representing assets with a residual value or repair cost below \$500. The CMS also acted on 'A' cases, i.e. assets with individual cost between \$3,000 and less than or equal to \$25,000, and all cases involving vehicles. In exercising this authority, the CMS largely relied on the input, reviews and recommendations of the LPSB. In addition, monitoring, identification and write-off processes were generally conducted in conformity with the DFS Property Management Manual. There was no evidence of gross negligence or violation of administrative instructions.

Regulatory framework

15. As indicated in Table 1 above, UNMIK employed all the four methods outlined in the DFS Property Management Manual to dispose of assets. Sales at residual value to United Nations agencies and other international organizations mainly comprised items considered surplus to the requirement of the Mission. Assorted surplus communication assets were disposed of as gifts to the Kosovo Police Service, the Ministry of Public Services and the Ministry of Public Administration in Kosovo. The HPSB approved the disposal of these assets as gifts.

ACKNOWLEDGEMENT

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



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