



OFFICE OF INTERNAL OVERSIGHT SERVICES  
INTERNAL AUDIT DIVISION - I

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To: Mr. Daudi N. Mwakawago  
Special Representative of the Secretary-General  
UNAMSIL

From: Patricia Azarias, Director  
Internal Audit Division I  
Office of Internal Oversight Services

A handwritten signature in cursive script that reads "P. Azarias".

Subject: **OIOS Audit No. AP2003/622/03: Operations of UNAMSIL's Contingent-Owned Equipment Unit**

1. I am pleased to present our final report on the subject audit, which was conducted by the Office of the Chief Resident Auditor in the United Nations Mission in Sierra Leone (UNAMSIL). The audit was conducted in accordance with the standards for the professional practice of internal auditing in United Nations organizations and included such tests as the auditors considered necessary in the circumstances.
2. The report has incorporated or otherwise taken into consideration Management's comments on the draft report. All the five recommendations will remain open in the OIOS database pending confirmation that the action indicated below each recommendation has been implemented.
3. I would like to take this opportunity to thank you and your staff for the cooperation and assistance extended to the auditors on this assignment.

**I. INTRODUCTION**

4. Security Council Resolution 1346 (2001) authorized the deployment of 17,500 military personnel (including 260 military observers) to assist the Government of Sierra Leone to implement the Lome Peace Accord dated 7 July 1999. The terms and conditions of troop deployment in relation to equipment and self-sustainment capability are set out in the Contingent-owned Equipment (COE) Manual and the Memorandum of Understanding (MOU) between the UN and the troop contributing countries.
5. Military units are required to bring with them all major equipment such as vehicles and armaments, as well as self-sustainment in certain categories of logistic support. Such equipment

is called COE. The UN reimburses troop contributing countries for the use of major equipment based on wet lease arrangements which require military units to maintain their own equipment. Self-sustainment capability is reimbursed at rates established by the General Assembly.

6. The Mission has a COE Unit that is responsible for the inspection of all COE and self-sustainment capability to ensure that they are conformity with the COE Manual and the respective MOU. The COE Unit carries out three main types of inspections, namely arrival inspections, periodic/operational readiness inspections and repatriation inspections.

7. Upon completion of each inspection, the COE Unit sends the inspection report to the Force Commander and the Director of Administration for certification. The report is then forwarded to the Finance Management and Support Service (FMSS), DPKO. FMSS reviews the inspection report and seeks any relevant clarifications, before certification for payment.

## **II. AUDIT OBJECTIVES**

8. The main objective of the audit was to assess the efficiency and effectiveness of the COE inspections as the basis for reimbursement to troop contributing countries. Subsidiary objectives included: (a) determining whether an adequate and reliable system is in place for the conduct of COE inspections; (b) ascertaining to what extent COE inspections comply with the requirements of the COE Manual and the MOU; and (c) testing of systems and procedures to determine whether they are operating satisfactorily.

## **III. AUDIT SCOPE AND METHODOLOGY**

9. The audit covered the period 1 July 2002 to 30 June 2003. The auditors reviewed records pertaining to COE inspections and also physically observed some inspections to determine the extent to which UNAMSIL was in compliance with the policies and procedures for management of COE.

## **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Staffing of the COE Unit**

10. Six personnel staffed the COE Unit, comprising the OIC who was at the P-4 level on loan from MOVCON, a P-3, a P-2, an FS and 2 UNVs. In May 2001, the Mission's Deputy SRSG had requested DPKO to increase the strength by 15 personnel at the P-3 level on the ground that the military component had expanded to 17,500 and that there was a corresponding increase in the number of contingent-owned and UN-owned equipment. This request was approved and reflected in the budgetary allocations of the Mission for the financial years 2001-02 and 2002-03.

11. The Chief of the Supply Section contended that the request referred to above related to the Supply Section as a whole (not the COE Unit alone) and that the current staffing of the COE Unit was adequate. Upon inquiry, the Budget Officer confirmed that the request related to additional staffing for the COE Unit. The increase was justified on the basis that the Advisory

Committee on Administrative and Budgetary Questions (ACABQ) had expressed concern over the quality of COE inspections at UNAMSIL.

12. It is evident that the COE Unit has been operating significantly below its authorized staffing level, especially during a period of phased withdrawal of troops, which necessitates an intensification of repatriation inspections. This state of affairs can adversely affect the timeliness and quality of COE inspections, resulting in possible financial loss to the Organization through overpayments to troop contributing countries.

### **Recommendation 1**

OIOS recommends that the UNAMSIL Administration urgently review the present staffing of the COE Unit, especially in light of the phased withdrawal of troops and ensure that the Unit is adequately staffed to effectively carry out the various COE inspections (AP2003/622/03/1).

13. *UNAMSIL Administration accepted the recommendation and stated that it had reviewed the staffing situation in the COE Unit. The Mission determined that two additional international staff would be reassigned from other sections to carry out COE inspections during the troop withdrawal phase. Additionally, the Military Inspection Cell in the C-Logistics Office would be called upon to inspect major equipment. OIOS will close the recommendation upon receipt of evidence of the deployment of the two international staff to the COE Unit.*

### **B. Periodic/Operational Readiness Inspections**

14. A Periodic/Operational readiness inspection is required to be carried out at least once during each six-month period the military unit is in the Mission area. The Mission reserves the right to carry out additional inspections if it believes that the equipment or services may not meet the required standards. The inspection will also identify requirements for any additional major equipment and pinpoint any surpluses to operational requirements.

15. For the period 1 July 2002 to 30 June 2003, the COE Unit conducted a total of 81 periodic/operational readiness inspections. The intervals between the inspections in respect of each unit averaged 5.1 months. Therefore, the COE Unit has complied with the requirements of the COE Manual as they relate to the time periods within which periodic/operational readiness inspections are to be undertaken.

### **C. Repatriation Inspections**

16. Repatriation Inspections are undertaken when a military unit is leaving the Mission. Its main purpose is to verify the state and condition of all major equipment to be repatriated to the home country. The COE Unit also has to ensure that all UN-owned equipment are accounted for and returned to the United Nations prior to the inspection.

17. For the period under review, 9 military units were repatriated and the related inspections were carried out prior to their repatriations, as shown in Table 1:

**Table 1: Contingent repatriation dates and CEO inspection dates**

	<b>Name of Unit</b>	<b>Date of Repatriation</b>	<b>Period of Inspection</b>
1	Nigerian Infantry Co.	06/11/02	25/10/02
2	Bangladesh Artillery Unit	05/11/02	25/10/02
3	Bangladesh Battalion V	20/12/02	6-11/12/02
4	Ghanian SHQ	15/01/03	03/01/03
5	Kenyan SHQ	31/01/03	22/01/03
6	Bangladesh Logistics II	27/03/03	24-27/02/03
7	Ghanaian Medical Level II	8/05/03	5-6/05/03
8	Nigerian Battalion III	19/06/03	19/05/03
9	Guinean Battalion III	31/05/03	22-23/05/03

The COE Unit has therefore complied with the requirements of the COE Manual as they relate to the timing of the repatriation inspections.

18. In relation to UN-owned equipment, although there was evidence to indicate that items were returned to various asset managers, the filing and recordkeeping at the COE Unit did not permit the auditors to match issue vouchers with return vouchers and hence to satisfy themselves that all UN-owned equipment were returned. For example, in respect of electronics and communications equipment, three issue vouchers with 8 items were seen for the Nigerian Infantry Company. However, there were 26 returned vouchers with 37 items. Similarly, for the same type of equipment, 15 issue vouchers containing 37 items were seen for the Bangladesh Artillery Unit. However, there were 14 returned vouchers with 45 items.

19. OIOS confirmed with the various assets managers whether all equipment issued to the above military units was returned to them. Although they have all indicated that no items were outstanding, the auditors were unable to obtain complete lists of equipment issued to these units and how they were returned.

20. The Chief of Supply Section contended that it is not the responsibility of the COE Unit to ensure the return of all UN-owned equipment and that such responsibility rested with the asset managers and the Property and Inventory Control Unit (PCIU). OIOS, however, pointed out that such a requirement is contained in a document entitled "Preparation and Conduct of Inspections for the Verification of Contingent-Owned and Self-Sustainment Assessment" dated May 2003. Also, paragraph 27 (c) of Chapter 1 of the COE Manual states that "the inspection shall also ensure that no UN-owned is part of the equipment being repatriated", suggesting an important role for the COE Unit in ensuring that such equipment is returned to the Mission.

**Recommendation 2**

OIOS recommends that the COE Unit verify the return of all UN-owned equipment and of maintaining adequate records of all issues to

military units as well as their return to the respective asset managers (AP2003/622/03/2).

21. *The UNAMSIL Administration accepted the recommendation noting that the responsibility is shared between COE Unit, PCIU and the asset managers. OIOS will close the recommendation after a test-check of future COE inspections.*

22. An examination of the returned vouchers and the repatriation inspection reports revealed that a significant number of UN-owned equipment were checked and returned to the asset managers either on the dates of the repatriation inspections or after (see Table 2).

**Table 2: COE inspection dates and dates of return of UN-owned equipment**

	<b>Military Unit</b>	<b>Inspection Date</b>	<b>Number of Items Returned</b>	<b>Returned Prior to Inspection</b>	<b>Returned on Inspection Date</b>	<b>Returned after Inspection Date</b>
1	Nigerian Infantry	25/10/02	37	14	23	-
2	Bangladesh Artillery	25/10/02	46	25	-	21
3	Ghanaian SHQ	03/01/03	47	-	-	47
4	Ghana Medical Level II	5-6/05/03	164	156	8	-
5	Nigerian Battalion III	19/05/03	106	14	-	92
	<b>TOTAL</b>		<b>400</b>	<b>209</b>	<b>31</b>	<b>160</b>

23. While it is acknowledged that the military units may require certain equipment for use till the date of repatriation, these should be by way of exception only. The above table, however, shows that 40% of UN-owned equipment was returned after the repatriation inspection dates. This practice is clearly a violation of the requirement for UN-owned equipment to be returned to the respective asset managers prior to the repatriation inspections.

### **Recommendation 3**

OIOS recommends that the COE Unit ensure that all UN-owned equipment is returned to the respective asset managers prior to the military units' repatriation (AP2003/622/03/3).

24. *The UNAMSIL Administration accepted the recommendation. OIOS will close the recommendation after a test-check of future COE inspections.*

### **D. Inspections based on troop rotation**

25. When troops are rotated, the COE Unit is also required to inspect and verify any major equipment that is to be repatriated or brought in using troop rotation transport arrangements. Details of such equipment are to be given to the COE Unit during the early stages of rotation

planning. With regard to UN-owned equipment, these should be returned to the concerned asset managers if no longer in use or transferred to the incoming unit.

26. For the period under review, there were 39 troop rotations. However, there was no evidence that inspections were carried out at the time of rotation. The OIC of the COE Unit contended that such inspections are not a requirement under the COE Manual. However, paragraphs 5 and 6 of the document entitled "Preparations and Conduct of Inspections for the Verification of Contingent-Owned Equipment and Self-Sustainment Assessment" make specific reference to this requirement. In addition, Chapter 3, paragraph 17 of the COE Manual requires additional verifications or inspections to be carried out if such verifications/inspections are deemed necessary by the Head of Mission or by Headquarters.

27. It is evident from the above that COE inspections at the time of troop rotation are necessary to ascertain whether or not there are any changes in the quantity as well as the quality (condition) of the equipment. Failure to carry out such inspections can result in a loss to the Organization through overpayment to troop contributing countries.

#### **Recommendation 4**

OIOS recommends that the COE Unit carry out inspections of contingent-owned as well as UN-owned equipment when troops are rotated (AP2003/622/03/4).

28. *UNAMSIL Administration accepted the recommendation. It stated that the COE Unit was responsible for inspection and verification of COE while PCIU, in cooperation with asset managers, was responsible for inspection and retrieval of all UN-owned equipment prior to contingents' rotation. OIOS will close the recommendation after a test-check of future rotations.*

#### **E. Inspection Procedures**

29. As part of the preparation for inspections, military units are required to lay out their equipment by type to facilitate the inspection process. They are also required to prepare lists of equipment and related serial numbers for each category of major equipment in a specified format. Four copies are to be presented to the inspection team.

30. The auditors accompanied the inspections teams on 4 inspections to Ghanbatt 7 at Lungi, and Pakbatt 7 at Kailahun, Buedu and Pandembu. It was noted that members of the inspection teams were drawn from the relevant services in conformity with the inspection procedures. The teams examined each item of the COE and UN-owned equipment as well as the arrangement for self-sustainment using lists of major equipment from previous inspections and the relevant MOUs. The information gathered was then analyzed and reconciled with that in the relevant MOU to determine whether the deployment of COE was in compliance with the COE Manual. The auditors compared notes taken during the inspections with the final verification reports and found no inconsistencies.

## **F. Review of MOUs**

31. The auditors reviewed 10 MOUs to ascertain whether they were consistent with the model MOU. Although the standard MOU model was used in all cases, two instances were noted where the relevant MOU was not amended to reflect changes in the composition of troop strength and equipment during troop rotation; nor was a new MOU prepared and signed. The first instance involved the Pakistani Artillery Unit deployed at Daru/Koidu where two-thirds of the troops were repatriated in January 2003 while the remaining one-third unit was re-designated as Mortar Battery Unit. A similar observation was made in respect of Bangladesh Signal Unit III where the troop strength was reduced from 699 to 402 in March 2003.

32. The COE Unit explained that DPKO had been asked to amend the relevant MOUs. However, the progress made in this regard was unknown. OIOS is concerned that delays in amending MOUs to reflect changes in composition of troops and equipment can result in overpayments to troop contributing countries.

### **Recommendation 5**

OIOS recommends that the UNAMSIL Administration follow up with DPKO so that the relevant MOUs units are amended to reflect the actual troop strength and equipment on hand (AP2003/622/03/5).

33. *UNAMSIL Administration accepted the recommendation.* OIOS will close the recommendation upon receipt of documentary evidence of follow up by UNAMSIL to effect the necessary amendments.

## **G. Submission of inspection reports to DPKO**

34. An analysis of the time period within which the COE Unit prepared and transmitted its inspection reports to DPKO indicated that the average time taken was six weeks. However, three reports were submitted about four months later. The OIC of the COE Unit attributed the delays to the failure of the military units to agree to the results of the inspections. This delay may have in turn affected the timeliness of reimbursement to troop contributing countries.

## **H. Filing and recordkeeping at the COE Unit**

35. The auditors reviewed filing and recordkeeping in the COE Unit to ascertain whether accurate and reliable records were kept. The Unit maintained files for each inspection visit. These files contained worksheets showing the results of each inspection and copies of draft and final reports. The Unit also maintained an electronic database where the final reports and all relevant information were recorded. Subject to the observations in this report relating to UN-owned equipment, the auditors noted that the COE Unit had a satisfactory filing and recordkeeping system for the period under review.

Copy to:

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