



## **INTERNAL AUDIT DIVISION**

### **AUDIT REPORT 2013/080**

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#### **Audit of local procurement of goods and services in the African Union-United Nations Hybrid Operation in Darfur**

**Overall results relating to the effective management of local procurement of goods and services in UNAMID were initially assessed as partially satisfactory. Implementation of two important recommendation remains in progress**

**FINAL OVERALL RATING: PARTIALLY SATISFACTORY**

**27 September 2013**

**Assignment No. AP2012/634/02**

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# AUDIT REPORT

## Audit of local procurement of goods and services in the African Union-United Nations Hybrid Operation in Darfur

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of local procurement of goods and services in the African Union-United Nations Hybrid Operation in Darfur (UNAMID).
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 UNAMID Procurement Section was responsible for local procurement of goods and services and was headed by a Chief Procurement Officer at the P-5 level who reported to the Chief of the Procurement and Contracts Management Service. The Section had an authorized staffing level of 43 including 20 international and 23 national staff.
4. During the years 2010/11 and 2011/12, UNAMID processed 1,083 purchase orders, excluding system contracts, valued at \$125 million.
5. Comments provided by UNAMID are incorporated in italics

### II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNAMID governance, risk management and control processes in providing reasonable assurance regarding the **effective management of local procurement of goods and services in UNAMID**.
7. The audit was included in the OIOS 2012 risk-based work plan because of the operational and financial risks relating to the procurement process, and the criticality of effective procurement of the required goods and services for the implementation of the UNAMID mandate.
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 local procurement functions has been delegated formally and in accordance with relevant regulations and rules. These controls also include periodic reporting and monitoring of the execution of delegated authority.
  - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide local procurement activities; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.
9. The key controls were assessed for the control objective shown in Table 1.

10. OIOS conducted the audit from October to December 2012. The audit reviewed procurement activities of UNAMID covering the period from 1 July 2010 to 30 June 2012, and included information generated from Business Objects for 1,383 requisitions valued at \$755 million and 1,083 purchase orders valued at \$125 million. Detailed testing was done on a sample of 80 requisitions and 48 procurement case files valued at \$98 million.

11. The audit team 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

12. The UNAMID governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of local procurement of goods and services in UNAMID**. OIOS made four recommendations to address issues identified. Since OIOS' previous audit (AP2010/634/09), the significant weaknesses identified in the procurement process had been addressed. However, the procurement process needed to further improve through: (a) reviewing and up-dating the vendor roster with suppliers that can meet UNAMID requirements; (b) continuous monitoring the performance of vendors; (c) providing training to requisitioners to avoid delays in the process; and (d) monitoring and taking action on delays encountered in the receipt of goods.

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 two 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
<b>Effective management of local procurement of goods and services in UNAMID</b>	(a) Delegation of authority	Satisfactory	Not assessed	Satisfactory	Satisfactory
	(b) Regulatory framework	Partially satisfactory	Not assessed	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## **A. Delegation of authority**

### Procurement activities were conducted in accordance with UNAMID delegated authority

14. A review of 48 procurement cases indicated that UNAMID conducted procurement activities in accordance with the authority delegated to the Director of Mission Support and the Chief Procurement Officer. Also, procurement cases were presented to the Local Committee on Contracts and the Headquarters Committee on Contracts when required. A review of 12 meetings of the Local Committee on Contracts showed that procedures were complied with, and procurement cases were adequately reviewed and deliberated on prior to making a recommendation to the Director of Mission Support. OIOS concluded that adequate controls were established to ensure the level of authority delegated was complied with.

## **B. Regulatory framework**

### Improvements were made in the controls established over the procurement process

15. A review of 48 procurement cases noted that controls over the procurement process had significantly improved. For example, procedures had been implemented to ensure that bid documents included established specifications, technical evaluation criteria were properly developed and applied, and the Tender Opening Committee was functioning effectively. However, there were areas where procedures needed to be further improved, as outlined in the following paragraphs.

### Controls over registration and monitoring of vendors needed to be strengthened

16. UNAMID needed to improve the vendor registration process, as many of the registered vendors did not meet the established criteria. At the time of the audit, a review of the almost 3,500 listed vendors indicated that about 1,000 of them were classified as active with the remainder still recorded as temporary, many registered in 2008. Moreover, there was insufficient information on vendors, including: (a) vendors' past experiences in supplying the subject goods/services; (b) details of vendors' financial and technical capabilities; and (c) absence of important documents such as certification of incorporation/business licenses. UNAMID classified registered vendors as active, when they were awarded a contract, without obtaining the supporting documentation that was required by the Procurement Manual.

17. Effective 1 July 2013, due to the implementation of Umoja, vendor registration was being done and monitored by Headquarters. Also, as UNAMID was cleansing its vendor data as part of the transitional process to Umoja in line with the Umoja preparedness plan, including the exclusion of all temporary vendors, no recommendation was made.

### Vendors with poor performance had not been evaluated for their status update in the roster

18. UNAMID was not adequately monitoring and reporting on vendor under-performance. For example, 19 cancelled purchase orders indicated they were cancelled due to the inability of vendors to deliver the required goods and services. The status of these vendors was still registered as active, and there was no record of non-performance entered in the Mercury system. Also, only one vendor had been referred to the Vendor Review Committee in January 2011 due to under-performance, and had been suspended for six months due to the inability to deliver. UNAMID advised that due to the volume of work and other priorities, inadequate attention had been given to evaluating vendors' performance.

**(1) UNAMID should implement a system to evaluate and record the performance of vendors and ensure that under-performing vendors are submitted for review to the Vendor Review Committee.**

*UNAMID accepted recommendation 1 and provided evidence that the recommendation had been implemented. Based on the action taken by UNAMID, recommendation 1 has been closed.*

Procurement acquisition plans were well established and generally complied with

19. Requisitioners prepared and submitted their 2010/11 and 2011/12 procurement acquisition plans, which totaled \$755 million for local and international procurement. A review of a sample of 80 requisitions (valued at \$98 million) indicated that 56 requisitions (valued at \$92.5 million) were included in the acquisition plans. The remaining 24 requisitions (valued at \$5.5 million) were not included in the acquisition plans because they arose due to unanticipated changes in operational requirements. Overall, the acquisition planning process was in place, and was working effectively.

The requisitioning process needed to be improved

20. Of the 1,383 requisitions analyzed, the Procurement Section approved 800 of them within the allocated timeframe established in the Procurement Manual. For the remaining requisitions, delays were encountered, some of these significant, due to amendments made by requisitioners because of changes in account codes, quantity requested, description of goods and services, and change in the names of signatories. A review of 80 requisitions indicated that 37 of them were improperly approved and certified by the same person. UNAMID advised that the delays and lack of segregation of duties were due to regular rest and recuperation absences of staff from the Mission.

21. A review of 1,083 approved requisitions processed indicated that there were also significant delays by the Procurement Section in processing and issuing requests for quotations and invitation to bids. These delays exceeded the maximum timelines established in the Procurement Manual by 137 days and 52 days respectively. Delays were encountered due to numerous communications relating to clarification of expected requirements between the Procurement Section and requisitioners. These delays resulted in Self-accounting Units resorting to more frequent use of direct purchases to procure goods such as construction materials and spare parts.

**(2) UNAMID should provide training to requisitioners on developing requisitions that are sufficiently comprehensive and include relevant details to avoid delays in the procurement process.**

*UNAMID accepted recommendation 2 and stated that to guide requisitioners, standard operating procedures (SOP) had been developed and the Director of Mission Support had issued an Administrative Instruction to ensure that the SOP was complied with. UNAMID was also developing a comprehensive training programme for requisitioners, for which the training was expected to be completed by the end of 2013. Recommendation 2 remains open pending receipt of evidence that training has been provided to requisitioners.*

**(3) UNAMID should improve its planning of procurement actions to ensure adequate segregation of duties in the process of approving and certifying requisitions.**

*UNAMID accepted recommendation 3 and stated that an Administrative Instruction was issued on 9 September 2013 to address the lack of segregation of duties in the procurement process. Recommendation 3 remains open pending OIOS verification that adequate procedures are in place to*

ensure that the approving and certifying functions are properly separated.

Central registration of vendors would improve the solicitation process

22. In OIOS view, UNAMID had not conducted adequate market research on vendors, including collecting and analyzing information about their capabilities to satisfy UNAMID needs. As a result, the Procurement Section did not have sufficient registered vendors to ensure that those solicited were in a position to supply the required commodities. For example: (a) for the supply of desks, the solicitation was also sent to a broadcasting company; and (b) for the supply of vehicle batteries, the solicitation was sent to an aviation support services company and a health products company. Overall, the number of vendors responding was low at or below 25 per cent, and there were cases of vendors failing to submit brochures and samples and were disqualified early-on in the process as technically non-compliant.

23. UNAMID was of the view that it had an adequate roster of vendors and it also had access to the rosters of United Nations Procurement Division and Regional Procurement Office. In many cases, UNAMID invited more than the recommended number of vendors as per the provisions of the Procurement Manual. Also, as Darfur was an extremely remote and difficult area to conduct business, a response rate of 25 per cent was considered to be reasonably good. Based on the additional information provided to OIOS and that a centralized vendor registration process was being implemented, no recommendation was made.

UNAMID needed an effective tracking system to monitor goods waiting inspection by the Government

24. UNAMID had not implemented an effective and coordinated system to monitor and follow-up on purchased goods held by the Government of Sudan for inspection prior to release from customs. As a result, networking and telecommunications equipment valued at \$2.3 million was sold by Government of Sudan, which were classed as abandoned items, as they had been stored for a long time in the Government's warehouse. The equipment arrived in the country during the period from October 2010 to September 2011. UNAMID only followed-up with the Government in June 2012, when the Mission received information that these items had been sold by public auction.

**(4) UNAMID should implement a system for tracking and monitoring goods that are awaiting inspection by the Government of Sudan.**

*UNAMID accepted recommendation 4 and stated that a robust tracking system had been implemented and regular reports were made available to UNAMID management about the shipments held in Government of Sudan's customs warehouses. Tracking sheets for both air and sea shipments pending clearance at the port of entry were updated as frequent as required. Based on the action taken by UNAMID, recommendation 4 has been closed.*

#### **IV. ACKNOWLEDGEMENT**

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

(Signed) David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of local procurement of goods and services in the African Union-United Nations Hybrid Operation in Darfur

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNAMID should implement a system to evaluate and record the performance of vendors and ensure that under-performing vendors are submitted for review to the Vendor Review Committee.	Important	C	Action taken	Implemented
2	UNAMID should provide training to requisitioners on developing requisitions that are sufficiently comprehensive and include the details needed for timely procurement.	Important	O	Confirmation that the targeted training program for the requisitioners has been conducted.	15 December 2013
3	UNAMID should improve its planning of procurement actions to ensure adequate segregation of duties in the process for approving and certifying requisitions.	Important	O	OIOS verification that adequate procedures are in place to ensure that the approving and certifying functions are properly separated.	30 September 2013
4	UNAMID should implement a system for tracking and monitoring goods that are awaiting inspection by the Government of Sudan.	Important	C	Action taken	Implemented

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNAMID



# **APPENDIX I**

## **Management Response**

AFRICAN UNION

الاتحاد الأفريقي



UNAMID



UNITED NATIONS



الأمم المتحدة

**African Union – United Nations Hybrid Operation in Darfur**

*Office of the Joint Special Representative*

25 September 2013

**To:** Ms. Eleanor T. Burns  
Chief, Peacekeeping Audit Service  
Internal Audit Division, OIOS

**From:**  Mohamed Ibn Chambas  
Head of Mission and Joint Chief Mediator 

**Subject:** **Audit of Local Procurement of Goods and Services in UNAMID**

1. With reference to your memorandum of 25 August 2013, on the subject matter, please find attached herewith UNAMID's response (Appendix 1) to the detailed audit results for your consideration.

Thank you.

**cc:** Mr. Ishtiaq Aslam, Chief Procurement Section, UNAMID  
Mr. Prances Sooja, CRA, OIOS, UNAMID

## MANAGEMENT RESPONSE

## Audit of local procurement of goods and services in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should implement a system to evaluate and record the performance of vendors and ensure that under-performing vendors are submitted for review to the Vendor Review Committee.	Important	Yes	CPO	09 July 2013	<p>The recommendation has already been implemented, requested to be closed although the process is of continuous nature and remains ongoing.</p> <p>While the finding made is of general in nature; UNAMID Procurement and Contracts Management Sections (PS and CMS) have diligently complied with the requirements for ensuring that evaluation of vendor performance were carried out as and when due. A performance management framework or a system is in place when the Contract is signed. The framework is comprehensive and objective. The requirement as part of Contract Implementation process is being monitored by CMS and the appropriate system is in place, i.e. a Standard Operating Procedure (SOP) on performance evaluation of vendors and its reporting has been developed and implemented in UNAMID.</p> <p>The procedure put in place includes:</p> <ol style="list-style-type: none"> <li>I. Day-to-day management of Contract – daily task;</li> <li>II. Ad-hoc action (as and when required);</li> <li>III. Performance Review Meeting - monthly (or as stipulated in the individual Contract) task;</li> <li>IV. Logistics Support Division (LSD) Performance Report (PR) - every three months task;</li> <li>V. UNHQ Procurement Division/UNAMID Procurement Section (PD/PS) Vendor Performance Report – every six months task;</li> </ol> <p>Hence, all Vendors Performance Evaluation Reports (VPER) for the period under consideration were prepared</p>

<sup>5</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses 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.

<sup>6</sup> 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.

## MANAGEMENT RESPONSE

## Audit of local procurement of goods and services in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>and shared with the relevant Sections at the Mission and UNHQ levels as required. As an evidence the following reports has already been provided:</p> <ol style="list-style-type: none"> <li>1.1. LSD Quarterly Report (Annex I);</li> <li>1.2. PD/PS Quarterly Report (Annex II)</li> <li>1.3. SOP – Contract Compliance and Performance Management (Annex III)</li> </ol> <p>For one time purchase orders for goods and services the Supply Chain Unit in PS follows up with the concerned SAUs upon completion of each PO/contract and requests/receives the vendors' performance report and is appropriately dispensed with as per the performance / delivery of the vendor for the subject award. The guideline issued in this regard has already been shared with the audit team and can again be provided if deemed necessary.</p> <p>Clear processes are therefore in place to handle operational problem resolution and resolve issues as quickly as possible. Any further records are available and will be provided on request.</p> <p>As regards presenting the poor/underperforming vendors to the LVRC, the action has also been implemented and continues as a standing/ongoing practice. In line with the target timelines provided earlier, the PS focus remained on the temporary vendors and data cleansing exercise in preparation of Umoja transition until 30 June 2013. That project has since been completed and on so far five non/poorly performing vendors have been presented to the LVRC on 09 July 2013 and 01 August 2013. The minutes of these meetings are being finalized. Confirmation of the</p>

## MANAGEMENT RESPONSE

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Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						meetings (copies of agenda) and participants details/timings are enclosed herewith.
2	UNAMID should provide training to requisitioners on developing requisitions so that they are sufficiently comprehensive and include relevant details to avoid delays in the procurement process.	Important	Yes	CCMS/CPO	15 December 2013	<p>This recommendation has already been implemented and therefore requested to be closed as explained below although the training and capacity building of the requisitioning staff continues to remain an ongoing process.</p> <p>UNAMID developed the SOPs for preparation of Scope of Works (SOW) as well as SOP for the Technical Evaluation process to ensure clear, comprehensive and technically viable documents are prepared for procurement solicitation including the preparation of key performance indicators, quality technical evaluation criteria and matrix. Therefore, the Mission has since instituted systems and procedures in place consistent with the UN Procurement Manual, DPKO/DFS Contract Management policy, which requires SOW/TOR, Technical Evaluation Criteria and Technical Evaluation membership (also included in the Source Selection Plan) to be reviewed and guided by CMS on advisory capacity. SOP/Administrative Instruction from the DMS has been issued to enforce this procedure. (Annex I – SOP for Preparation of SOW, Annex II – SOP for Technical Evaluation – have already been provided to O/DMS has already been provided).</p> <p>In addition, a comprehensive training program is being developed jointly by the CMS and CPO for the training of requisitioners and then it will be run in batches for the concerned SAUs to provide maximum coverage/audience. This activity is targeted to be completed by 15 December 2013.</p>

## MANAGEMENT RESPONSE

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Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	UNAMID should improve its planning of procurement actions to ensure adequate segregation of duties between approving and certifying requisitions.	Important	Yes	DMS		Kindly refer attached Administrative Instruction (AI) issued by OIC/MSD on 9 September 2013.
4	UNAMID should conduct adequate market research on vendors prior to issuing them solicitation documents to improve the competitive process.	Important	No	CPO		<p>UNAMID has an adequate roster of vendors and it also has access to the roster of UNPD and RPO. Moreover, in Umoja, going live on 01 November 2013 there will be just one standard roster for all UN missions and agencies. The solicitations are usually issued with REOIs when warranted and many a times vendors respond to such REOIs positively but later chose not to participate in the tenders upon receipt of actual requirement for any reason best known to themselves. For all the cases referred to in the report where one odd vendor was not an expert in the subject commodity and was yet invited were resulting either from the REOIs. Moreover, in all such cases PS had invited almost double or more the recommended vendors as per the PM provisions so non responsiveness of such odd vendor does not impact the solicitation or the effective international competition requirement of the manual. Darfur is an extremely remote and difficult area to conduct business in and if 25% vendors do respond it is considered to be a reasonably good response rate.</p> <p>On the second part of the comment (para 28 of the report refers), it is part of the risk mitigation strategy of the mission to seek samples for evaluation where warranted. This helps to guard against the later poorer quality products receipt in the mission. This approach has been well appreciated by the</p>

## MANAGEMENT RESPONSE

## Audit of local procurement of goods and services in the African Union-United Nations Hybrid Operation in Darfur

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						client sections and the LCC alike (copies of relevant minutes of the LCC are enclosed commending the practice of seeking samples and reiterating to continue the same). Serious vendors do submit samples and are evaluated accordingly. Non-serious ones are eliminated. Samples have no relation to keeping stocks since traders can and do obtain samples from manufacturers/wholesalers and send them with their bids. It is reiterated that adequate knowledge of the market exists in the mission and it is a continuous effort to ensure quality and timely delivery of the products for the mission.
5	UNAMID should implement a system to track and monitor goods that are awaiting inspection by the Government of Sudan to avoid recurrence of UNAMID's goods being disposed off without notice.	Important	Yes	C MOCVON / CPO		<p>Already Implemented. There is a robust tracking system and regular reports are made available to the management about the shipments held in GOS Customs. The most recent tracking sheet is enclosed which is updated as frequently as required up to almost daily basis. The spreadsheet for both air and sea shipments pending clearance at the port of entry with customs is enclosed herewith.</p> <p>The mission regularly raises this issue with the authorities through NV as and when required. As a mitigating practice the detail of the outstanding shipments pending clearance are included in the quarterly tripartite meetings which is the highest level existing between the mission and the GOS for all outstanding matters. (copy of previous tripartite meeting agenda is enclosed).</p>