



## **INTERNAL AUDIT DIVISION**

### **REPORT 2019/120**

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**Review of recurrent procurement management issues raised in past internal audit reports on field operations of the Office of the United Nations High Commissioner for Refugees**

**There was a need to clarify the end-to-end process for procurement, the accountabilities of relevant parties, and supporting structures to address cross-cutting institution level root causes for recurring weaknesses**

**13 December 2019  
Assignment No. VR2019/167/01**

# **Review of recurrent procurement management issues raised in past internal audit reports on field operations of the Office of the United Nations High Commissioner for Refugees**

## **EXECUTIVE SUMMARY**

The Office of Internal Oversight Services (OIOS) conducted a review of recurrent procurement management issues raised in past internal audit reports on field operations of the Office of the United Nations High Commissioner for Refugees (UNHCR). The primary objectives of this review were to: (a) provide a single, consolidated view of control weaknesses related to procurement management as identified in past internal audits on UNHCR field operations; (b) identify and analyze root causes of these weaknesses; and (c) raise institution level recommendations to further improve the implementation of controls over procurement management in field operations. Such actions should enable UNHCR to improve the effectiveness and efficiency of its operations and to better meet the needs of persons of concern. The review covered OIOS internal audit reports issued from 1 January 2016 to 31 December 2018.

OIOS made three recommendations. To address issues identified in the review:

- The UNHCR Division of Emergency, Security and Supply (DESS), whilst finalizing the Policy and Administrative Instruction on Procurement, should ensure that it: (a) specifies the minimum requirements for procurement and provides guidance on additional controls to be considered depending on the context-specific procurement risks identified in each operation; (b) can be used by operations to assist in managing and allocating responsibilities and enforcing accountabilities for all relevant staff and supporting structures involved in procurement; and (c) clarifies the second line of defence monitoring role to be played by the Regional Bureaux, DESS and other relevant headquarters Divisions;
- DESS, in coordination with the Regional Bureaux and relevant Divisions, needed to develop and implement a dissemination strategy for the rollout of the Policy and Administrative Instruction on Procurement once finalized; and
- The UNHCR Division of Financial and Administrative Management needed to: (a) clarify the responsibility of the Chairpersons of the Committees on Contracts in the monitoring of compliance with the procurement thresholds in the field; and (b) put in place a plan of action, such as through regular training, outreach and/or monitoring, to further operationalize the requirement for Local and Regional Committees on Contracts to address conflict of interest situations and to ensure that they are better informed and equipped to do so.

UNHCR accepted the recommendations and has initiated action to implement them.

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	2
III. ANALYSIS OF PAST AUDIT REPORTS	2-5
IV. RESULTS OF THE ROOT CAUSE ANALYSIS	5-10
V. ACKNOWLEDGEMENT	10
ANNEX I      Status of audit recommendations	
APPENDIX I   Management response	

# **Review of recurrent procurement management issues raised in past internal audit reports on field operations of the Office of the United Nations High Commissioner for Refugees**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted a review of recurrent procurement management issues raised in past internal audit reports on field operations of the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. The total value of UNHCR procurement was \$1,016 million in 2017 and \$1,101 million in 2018 of which \$691 million and \$754 million, respectively, related to procurement undertaken by field operations. The procurement rules and regulations are currently established in Chapter 8 of the UNHCR Manual, which was last revised in August 2013. This Chapter specifies the supply chain organization and the roles and responsibilities of the entities involved in supply management and the process to be followed by the organization in sourcing goods and services. Vendor and contract management are regulated in an Operational Guidance Note issued in June 2018. The Financial Regulations and Rules for Voluntary Funds Administered by the High Commissioner for Refugees authorize the High Commissioner to establish committees on contracts (CoCs) at headquarters and regional and local levels to review the award of contracts above certain thresholds. Under this authority, the High Commissioner issued the Revised Rules and Procedures of UNHCR Committees on Contracts (revised CoC rules and procedures) in 2018 defining the composition, authority and responsibility of the Headquarters Committee on Contracts (HCC), Regional Committees on Contracts (RCCs) in regional offices, and Local Committees on Contracts (LCCs) in country offices. The Secretariat to HCC under the Office of the Controller, Division of Financial and Administrative Management (DFAM) is the focal point for this Administrative Instruction.
3. At headquarters, the Division of Emergency, Security and Supply (DESS) is responsible for providing strategic direction, support and oversight to Regional and Country Offices in relation to supply chain management including procurement. The overall objective is to achieve integrity and transparency, fair competition, best interest and best value for money for the organization, in line with the rules and regulations on procurement. The Supply Management Service (SMS) of DESS, *inter alia*, supports UNHCR's procurement activities. It consists of two procurement specific sections: (i) Headquarters Procurement Section, which supports headquarters entities on procurement activities; and (ii) Field Procurement Section, which provides advice to field on specific procurement issues, supports country operations in carrying out procurement actions, assists field operations in the submission of procurement cases to the HCC, and formulates and enhances procurement policies and procedures including support for supply staff capacity development and communication.
4. In the field, Regional and Country Offices have primary responsibility for developing local procurement plans and undertaking local procurement. The respective Supply Management Units or Finance and Administration Units (in smaller operations that have no supply officer) in field operations discharge the responsibility of ensuring that the local procurement activities are in compliance with UNHCR procurement rules and procedures.
5. Comments provided by UNHCR are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

6. The primary objectives of this review were: to provide a single, consolidated view of control weaknesses related to procurement management as identified in past internal audits on UNHCR field operations; to identify and analyze root causes of these weaknesses; and to raise institution level recommendations to further improve the implementation of controls over procurement management in field operations. Ultimately, such actions should enable UNHCR to improve the effectiveness and efficiency of its operations and to better meet the needs of persons of concern.

7. This review was included in the 2019 internal audit work plan of OIOS due to the high volume and value of procurement undertaken by UNHCR field operations and the fact that OIOS audits have raised many similar recommendations in this area. OIOS is also concerned that, although similar issues were raised in these audits, they may not be addressed in a holistic manner and that the real underlying root causes of the control weaknesses may not have been fully identified. As a result, corrective measures and actions may be introduced on a case-by-case basis that differ from operation to operation.

8. OIOS conducted this review from April to June 2019. The review covered OIOS internal audit reports issued from 1 January 2016 to 31 December 2018.

9. The methodology for the review involved the following steps:

- a) Review of the 57 internal audit reports pertaining to UNHCR field operations issued between 1 January 2016 and 31 December 2018 to identify recurrent issues related to procurement management;
- b) Joint identification of root causes of the recurrent issues with UNHCR through an OIOS facilitated workshop with participants from different functions in the field and relevant headquarters Divisions;
- c) Review of the status and adequacy of actions taken to implement the internal audit recommendations raised in the past reports;
- d) Review of the current control framework for procurement management (policies, manuals, systems and tools, as well as training, monitoring and oversight mechanisms), its evolution over the period covered, and any ongoing measures being taken to enhance it in order to assess its adequacy in addressing the root causes of recurrent issues; and
- e) Identification of additional improvements required at the institution level.

10. The review was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

11. As the focus of the review was on root causes of recurrent audit issues on procurement management, the review only raises recommendations to further enhance the institution level controls. As regards the recommendations contained in the audit reports issued during the period that still remain open, OIOS will close them only after appropriate corrective actions have been implemented by the respective UNHCR Representations in the field.

## **III. ANALYSIS OF PAST AUDIT REPORTS**

12. Between 1 January 2016 and 31 December 2018, OIOS issued 57 internal audit reports on UNHCR field operations. The audit universe used by OIOS has specific auditable areas related to procurement and vendor management. Forty-nine of the 57 audits reviewed covered aspects of procurement and vendor

management in their testing. Of these, 43 included one or more relevant recommendations in the final report.

13. In total, OIOS raised 44 recommendations related to procurement and vendor management in the 43 final audit reports. Of these 44 recommendations, 35 were assessed as important and nine were considered critical. As of 30 April 2019, four of these recommendations remained open. For the 40 closed recommendations, UNHCR had taken satisfactory action to address the control weaknesses in the field operations in question. However, none of these individual audit recommendations raised by OIOS, nor the corresponding management responses from UNHCR, addressed the weaknesses institution wide. Hence, similar deficiencies have continued to occur on a recurrent basis in multiple field locations.

14. From a preliminary analysis of the relevant audit recommendations, OIOS identified a number of recurrent issues at different field operations as shown below in Table 1.

Table 1

**Distribution of recommendations raised between 1 January 2016 and 31 December 2018 per recurrent issue**

Recurrent issue category	Number of recommendations per recurrent issue category <sup>1</sup>	Percentage of occurrence of recurrent recommendations
Gaps in procurement planning	34	69%
Procurement process not in compliance with procurement rules	40	82%
Inadequate vendor management and contract administration	39	80%
Lack of proper review/approval by the relevant CoCs	32	65%
<b>Total</b>	<b>145</b>	

Gaps in procurement planning

15. Chapter 8 Part II, Section 3 of the UNHCR Manual requires field operations to conduct an annual needs assessment and prepare purchasing plans that adequately cater for these needs, and thereafter initiate timely procurement activities in accordance with the purchasing plans. Detailed instructions for completing purchasing plans are issued annually in the form of Administrative Instructions on Detailed Planning and Budgeting.

16. In 34 of the 49 audits, OIOS noted that either the purchasing plans were not developed, or they were not comprehensive and omitted key categories of items, and they were not monitored and updated regularly. Whilst the Supply Unit in each operation was required to prepare the procurement plan, it needed the inputs and participation of different units which were not always forthcoming. Coordination challenges with the various units such as Programme, Protection, Finance and Administration compounded the problem of developing an exhaustive plan. Incomplete purchasing plans affected the sourcing strategy and led to unplanned procurements that were to be done in shorter periods. This further impacted the efficiency and effectiveness of the procurement in meeting the needs of persons of concern.

<sup>1</sup> Some recommendations cover multiple categories.

### Procurement process not in compliance with procurement rules

17. In order to ensure the integrity of the procurement process and that UNHCR receives best value for money for the acquisition of goods and services to support its operations, it is essential for procurement activities to espouse the four procurement principles of best value for money, integrity and transparency, fair competition and best interest of the organization. These principles are also the foundation for the procurement rules and regulations promulgated in UNHCR Manual on Supply Management (Chapter 8) and the Financial Regulations and Rules of the United Nations (Rule 105). The ultimate aim is to ensure consistency in application of procurement rules and procedures to ensure economical and efficient procurement, and to mitigate the associated risks including fraud risks.

18. In 39 of the 49 audits, OIOS identified systematic gaps in the application of standard procurement processes. The issues related to: inadequate competition and excessive use of waivers for competitive bidding; application of the wrong procurement method such as Request for Proposal instead of Invitation to Bid; and a range of issues related to not carrying out the tendering process as required. Examples of non-compliance with the tendering process included: allowing insufficient bidding time; inviting an insufficient number of bidders; incorrect opening of bids; irregular provision of additional information to some bidders; incorrect technical and financial evaluations; failure of the evaluators to sign against the technical and financial evaluations; and errors in the ranking of prospective vendors. Other weaknesses observed included issuing purchase orders after receipt of invoices or processing procurement through non-Purchase Order vouchers which involves much less automated controls. Some of the recommendations raised by OIOS concerned multiple control weaknesses.

19. As a result, there were instances of irregular awarding of contracts in these 39 field operations, which raised significant doubt as to whether the organization achieved best value for the goods and services procured. It also presented reputational risks to UNHCR as it could be perceived not to be fair and transparent in its dealings with suppliers.

### Inadequate vendor management and contract administration

20. It is essential for UNHCR field operations to establish an effective vendor management system in order to reduce the risk of fraud, financial losses and inefficient operations. The Vendor and Contract Management Operational Guidance Note spells out the requirements for: (i) field operations to establish Vendor Review Committees (VRC) to oversee issues arising from vendor non-performance; (ii) Requesting Units to monitor and evaluate vendors' performance and carry out contract management; and (iii) Supply Units to carry out contract administration.

21. In 39 of the 49 audits, OIOS identified one or more weaknesses in controls over vendor and contract management and the administration of contracts. OIOS raised recommendations to address non-functional VRCs, inadequate management and clean-up of vendor databases, weaknesses in the evaluation of vendors' performance, lack of clarity in roles and responsibilities, and lack of monitoring of work done by the contractors. Recommendations on contract administration related *inter alia* to poor monitoring of contract expiry dates and spending beyond the authorized contract ceiling. These deficiencies led to inefficient management of vendors and contracts and increased the risk that the organization may not be obtaining value for money from its procurement activities.

### Lack of a proper review and/or approval by the relevant CoCs

22. UNHCR has established CoCs at the regional and local levels to review the award of contracts, involving financial amounts exceeding certain thresholds. The regional and local committees, therefore, provide governance and oversight on field procurement to ensure procurement rules are adhered to and the

integrity of the procurement process is upheld. The Rules and Procedures of CoCs define the composition, authority and responsibility of these committees and stipulate the procurement threshold amounts within the purview of the various committees.

23. In 32 of the 49 audits, the regional or local CoCs did not properly review or approve all procurements exceeding the stipulated financial thresholds. OIOS observed frequent failures in controls for ensuring that the committees received all contracts above the specified thresholds for their review. There were also gaps in the technical competence of the members of these committees. In some cases, the small size of the field offices hampered the composition, proper functioning and independence of the committees. This increased the risk of fraud and also cast doubts on the efficiency and effectiveness of the procurement processes and whether they demonstrated integrity.

#### **IV. RESULTS OF THE ROOT CAUSE ANALYSIS**

24. In the course of the review, a number of intermediate causes were identified at the institutional level for the four recurring categories of issues discussed above. Through further root cause analysis, OIOS, in close cooperation with UNHCR, identified three cross-cutting underlying root causes for these intermediate causes. As each of the three root causes in part explains the recurring issues in all four categories, they are addressed separately below rather than being covered under any one category. In addition, OIOS raises one further recommendation that is relevant to only one category.

##### **(a) Cross cutting root causes**

**There was a need to set up end-to-end procurement processes, minimum requirements for procurement, and accountabilities of all relevant parties and supporting structures**

25. The first cross cutting root cause identified by this review concerns the lack of a formal end-to-end process for planning, processing and monitoring of procurement with clear minimum requirements and accountabilities of all relevant parties involved. This is an underlying root cause of a number of intermediate causes across all four categories of recurring issues. These intermediate causes relate to: lack of sufficient support from senior management; lack of consistency in the available guidance and lack of clarity on some of the existing rules; lack of comprehensive understanding of the policy and guidance framework by all parties; inadequate structural positioning and reporting lines of the supply function; and lack of clarity on the process ownership and accountabilities.

26. Chapter 8 of the UNHCR Manual on supply management presently regulates supply management at UNHCR. It specifies the roles and responsibilities of the entities involved in supply management and the process to be followed by the organization in sourcing goods and services. However, Chapter 8 of the UNHCR Manual was last updated in 2013 and is not clear and consistent enough with respect to all elements of the procurement process. In addition, the field representations often underestimate the importance and complexity of procurement and do not provide adequate management oversight over procurement to ensure that the processes are systematically followed. Due to an internal UNHCR decision to restrict issuance of new policies, the revised rules on Vendor and Contract Management were promulgated through an Operational Guidance Note in June 2018 and OIOS noted during this review that it was not clear to all staff concerned whether the guidance stipulated mandatory requirements.

27. In 2017, SMS conducted internal workshops with field supply staff in Budapest, Nairobi and Amman which identified the need to revise the procurement rules and regulations to ensure that end-to-end procurement processes and roles and responsibilities of all actors are clearly defined and the existing gaps and ambiguities relating to the role of supply officers, archiving requirements, use of long-term contracts,

procurement in emergencies, application of waivers, technical expertise in evaluation committees, role of non-supply staff in planning and procurement, and handover procedures are systematically addressed. However, due to the lack of dedicated resources within SMS, finalization of the planned policy and/or guidance was delayed. At the time of the OIOS review, SMS had developed a draft Policy and Administrative Instruction on Procurement which were being reviewed by headquarters Divisions and planned to revise the guidance under Chapter 8.

28. OIOS is of the view that having a clearly articulated end-to-end regulatory framework with clear accountabilities of all the relevant parties involved would help UNHCR field operations to better understand the requirements on procurement management and to enhance operational risk management in successfully undertaking procurement. For example, OIOS review of Chapter 8 of the UNHCR Manual identified that it does not clarify the: (i) supplementary controls to be considered, based on a contextual risk analysis, in addition to the minimum requirements for procurement to be mandatorily undertaken by all operations; (ii) roles, responsibilities and accountabilities of Supply Officers and other staff involved in the end-to-end procurement process, including joint procurement planning, vendor and contract management, and quality control, and those participating in the various committees such as the Bid Opening and Technical Evaluation Committees, and CoCs; and (iii) second line of defence monitoring responsibilities to be discharged by the Regional Bureaux, DESS/SMS and other headquarters Divisions and, based on risk appetite, the appropriate amount of effort needed and the necessary tools and resources to be dedicated for second line monitoring.

29. The Risk and Compliance Unit within DESS with its limited resources provided second line monitoring over field procurement by undertaking compliance missions. During 2018-2019 it undertook eight missions; however, selection of the field operations was not risk-based and seven of these missions were conducted in the same locations where OIOS had planned to perform field audits. This led to overlaps and affected the effectiveness of the second line of defence function. In addition, due to limited resources, the Vendor Management and Contract Administration Unit under the SMS Headquarters Procurement Section could not undertake the monitoring responsibilities stipulated in the 2018 Operational Guidance Note on Vendor and Contract Management. With the ongoing decentralization and regionalization, there is a greater need to clarify the role of the Regional Bureaux, and the related capacity requirements, to support and monitor field operations in procurement management, and the revised role of SMS and other headquarters Divisions to support the Regional Bureaux.

**(1) The UNHCR Division of Emergency, Security and Supply (DESS), whilst finalizing the Policy and Administrative Instruction on Procurement, should ensure that it: (a) specifies the minimum requirements for procurement and provides guidance on additional controls to be considered depending on the context-specific procurement risks identified in each operation; (b) can be used by operations to assist in managing and allocating responsibilities and enforcing accountabilities for all relevant staff and supporting structures involved in procurement; and (c) clarifies the second line of defence monitoring role to be played by the Regional Bureaux, DESS and other relevant headquarters Divisions.**

*UNHCR accepted recommendation 1 and stated that it was working on the finalization of the Policy on Procurement and the related Administrative Instruction and was aiming to finalize both documents by the end of 2019. The Policy and the Administrative Instruction would become effective on 1 July 2020 in order to allow adequate time for capacity building and dissemination of these important guidance documents. Recommendation 1 remains open pending issuance of the Procurement Policy and the accompanying Administrative Instruction addressing the requirements specified under parts (a), (b) and (c) of the recommendation.*

There was a need for a dissemination strategy for procurement related policy and guidance documents

30. The second cross cutting root cause identified by this review relates to the lack of an overall dissemination strategy for the issuance of procurement related policy and guidance documents. In the opinion of OIOS, this is an underlying root cause of a number of intermediate causes across all four categories of recurring issues identified during the review such as: lack of adequate understanding and appreciation of the procurement rules and processes by a variety of actors, including management, non-supply staff and sometimes even supply staff; lack of use of effective training and communication methods for disseminating new guidance; and lack of clarity on the requirements and lack of adequate tools provided to meet the requirements as in the case of procurement planning.

31. During the review and the discussions at the workshop, OIOS identified weaknesses in how the various policy and guidance documents related to procurement had in the past been disseminated across the end users. The email broadcasts disseminating them were generally sent to a group email, without distinguishing who really needed to read, understand and apply them. Also, whilst in some cases webinars were organized and online training courses developed following the issuance of such documents, they were not mandatory even for those who were most affected by them and did not cover a large number of relevant managers and staff.

32. Therefore, once the planned Policy and Administrative Instruction on Procurement are finalized, there is a need to develop and implement an overall dissemination strategy, including a communication/outreach and training plan, for the rollout process to address the underlying root causes discussed above. The dissemination strategy should be comprehensive and ideally include the following:

- Developing, simultaneously with the rollout, mandatory and non-mandatory training programmes, with focus on those staff who are most exposed to and involved in procurement processes, such as the supply staff, members of CoCs, major requesting units, and contract managers;
- Ensuring, to the extent possible, that for the highest risk areas relating to procurement management the above-mentioned training is face-to-face and is followed up with refreshers;
- Putting in place a monitoring system for tracking and reporting on staff completion of any learning courses that are deemed mandatory;
- Developing, as necessary, additional practice guides or best practice documents to facilitate the understanding and application of the new procurement policy by the managers and staff involved;
- Putting in place a hotline or “go-to” person to answer staff questions related to the new policy; and
- Determining, based on risk appetite/importance of risks involved, the appropriate amount of effort needed for ensuring compliance. This involves consideration of the necessary tools and resources for monitoring and clarifying the monitoring responsibilities.

33. Although an effective rollout of the dissemination strategy would require significant investment to cover all the above areas, it would in return address some of the systematic root causes for the weaknesses in procurement management. It would also enable consistent practices across the organization and improve risk management, compliance and accountability.

**(2) The UNHCR Division of Emergency, Security and Supply, in coordination with the Regional Bureaux and relevant Divisions, should develop and implement a dissemination strategy for the rollout of the Policy and Administrative Instruction on Procurement, once finalized.**

*UNHCR accepted recommendation 2 and stated that it had developed a dissemination strategy. However, OIOS noted that the document shared included only a plan. Recommendation 2 remains*

open pending receipt of evidence of the development and implementation of a comprehensive dissemination strategy for the rollout of the Policy and Administrative Instruction on Procurement which includes a communication/outreach and training plan.

There was scope for enhancing the capacity of regional supply functions

34. The third cross cutting root cause identified by this review related to the need to strengthen the capacity of the supply function. Procurement management has received the highest number of critical audit recommendations in OIOS audits of UNHCR field operations since 2016. Out of the 49 OIOS audits which raised 44 recommendations on procurement management, 9 recommendations were critical. Therefore, this is an area that is subject to systemic and pervasive control deficiencies.

35. The total value of procurement undertaken by field operations was \$754 million in 2018. The increased threshold limits (procurements valued up to \$250,000 are henceforth approved by the LCCs), increased delegation of authority and decision-making to the field, and the still limited capacity of the second line of defence to monitor field procurements, expose UNHCR to further increasing and potentially more damaging risks, especially considering that procurement is inherently prone to high risk of fraud. If UNHCR considered supply as a core support function and capacitated it at par with other support functions, such as finance and human resources, some of these risks could be more effectively mitigated. The 2017 report of the Rapid Organizational Assessment stated that country operations would benefit from enhanced capacity in key support functions such as human resources, finance, supply and programme management, although it did not make any specific recommendation in this regard.

36. Under the planned new architecture of UNHCR, as part of the decentralization and regionalization process, the new Regional Bureaux will assume a stronger role as the second line of defence and will have the primary responsibility for quality assurance and support to the field operations, managerial oversight and ensuring compliance with UNHCR rules and regulations, while the Divisions at headquarters will provide normative guidance and expert advice. In order to have stronger field-based supply management capacity, a Regional Supply Unit headed by a P-4 Senior Regional Supply Officer and supported by one or two general service staff, is being established as part of the Operations Support pillar under the revised structure of each Regional Bureaux. This Unit will be responsible for providing advice, capacity-building, coaching and guidance on policy and operational issues to the supply functions at the bureau and country operations in the region. It will also be responsible for monitoring all periodic supply exercises in the region, support the RCCs and regularly visit country operations to provide oversight and support.

37. However, the workshop participants expressed strong views and DESS also considered that the proposed capacity of the regional supply management functions may need further strengthening in line with the other support functions, and that a P-4 level Senior Regional Supply Officer would not provide the necessary status and authority. OIOS agrees with this view and is of the opinion that there is an opportunity for UNHCR as part of the ongoing decentralization and regionalization to further review this matter, so as to ensure that the Regional Supply Unit is adequately capacitated to support and monitor the supply functions in the country operations. UNHCR senior management supported the overall objective of strengthening and enhancing the UNHCR supply function at large, in the context of regionalization, across the spectrum from the country operations through to the Bureaux and the Headquarters. The UNHCR Assistant High Commissioner (Operations) committed to ensuring that the required support and resources were made available to ensure adequate workforce capacity in terms of number of positions, level and experience of incumbents, as well as trainings and systems to cover the heightened supply and procurement units' responsibilities in the context of regionalization. OIOS will review this matter during its audits of UNHCR country operations in 2020.

(b) Specific root causes

Monitoring of compliance with procurement thresholds and conflict of interest situations in LCC/RCCs

38. The root cause related to one specific issue identified by this review concerns the failure to consistently avoid conflict of interest arising from the conflicting roles of being a member of the LCC/RCC and also being involved in the procurement process. OIOS found that the control framework related to many aspects of this issue had been strengthened with the issuance of the revised CoC rules and procedures in 2018. However, there was no consistent monitoring control at UNHCR headquarters to verify whether a conflict of interest situation was dealt with as per the rules given that there were more than 100 LCC/RCCs worldwide. OIOS reviewed the 2018 annual reports submitted by the RCC/LCCs to the Controller. This review indicated that the conflict of interest issue had not been reported by any LCC/RCC. Further, the HCC Secretariat staff and field supply staff indicated that it was difficult to have a minimum quorum in the LCC meetings and to avoid conflict of interest situations due to the small number of international staff in smaller operations. In addition, the threshold ceilings for LCCs/RCCs have been increased. As a result, there was an increased risk of not being able to ensure the best value for money for procurements where LCC members may have an actual or possible conflict of interest in participating in the LCC meetings.

39. The revised 2018 CoC rules and procedures clarified the minimum number of staff required to establish an LCC (Section 5.4), the situations where Chairperson and members need to recuse themselves and when such submissions should be sent to the RCC (Section 10.4 read with Section 2.b in Schedule 1). There was, however, a need through regular training, outreach and/or monitoring, to further operationalize the requirement to ensure that procurement cases where minimum quorum cannot be formed due to a recusal situation are submitted for review by the relevant RCC.

40. The revised CoC rules and procedures placed the responsibility for monitoring of compliance with the procurement threshold amounts on the LCC/RCC Chairpersons (Section 4.1h), whereas the supply unit as per Chapter 8 is responsible for submitting the cases falling within the threshold amounts to the relevant CoC for approval. As the same control is assigned to two different individuals/entities, it could create a potential lack of clarity on the responsibilities and increase the risk that cases beyond the threshold amounts may not be submitted for review by the LCC/RCC. Whilst the audit was in progress, CoC rules and procedures were further revised and re-issued in August 2019. The revision to Section 4.1h specified that the Chairpersons have the responsibility of monitoring compliance with UNHCR Procurement Rules, including ensuring that the relevant Committee has the appropriate authority to review submissions presented at such Committee meetings. It, however, did not clarify the role of monitoring compliance regarding ensuring that all submissions from the field are actually done in accordance with procurement thresholds.

**(3) The UNHCR Division of Financial and Administrative Management should: (a) clarify the responsibility of the respective Chairpersons of the Committees on Contracts in the monitoring of compliance with the procurement thresholds in the field; and (b) put in place a plan of action, such as through regular training, outreach and/or monitoring, to further operationalize the requirement for Local and Regional Committees on Contracts to address conflict of interest situations and to ensure that they are better informed and equipped to do so.**

*UNHCR accepted recommendation 3 and stated that the Division of Financial and Administrative Management was in the process of complementing the revised Administrative Instruction on the Rules and Procedures of the Committees on Contracts (UNHCR/AI/2018/Rev1) with further SOPs. As to a plan of action to further operationalize the requirement for LCCs and RCCs to address*

*conflict of interest situations, training and awareness activities would be undertaken to enhance awareness among chairpersons and members of Committees on Contracts, of the pertinent policies, rules and procedures and how to guard against either actual or perceived conflict of interest situations in carrying out their duties. UNHCR would share with OIOS the plan of action when completed. Recommendation 3 remains open pending submission to OIOS of evidence: a) that the responsibility of the Chairpersons of the Committees on Contracts in the monitoring of compliance with the procurement thresholds in the field has been clarified and applied consistently; and b) of a plan of action to operationalize the requirement for Local and Regional Committees on Contracts to address conflict of interest situations.*

## **V. ACKNOWLEDGEMENT**

41. OIOS wishes to express its appreciation to the management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

### Review of recurrent procurement management issues raised in past internal audit reports on field operations of the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	The UNHCR Division of Emergency, Security and Supply (DESS), whilst finalizing the Policy and Administrative Instruction on Procurement, should ensure that it: (a) specifies the minimum requirements for procurement and provides guidance on additional controls to be considered depending on the context-specific procurement risks identified in each operation; (b) can be used by operations to assist in managing and allocating responsibilities and enforcing accountabilities for all relevant staff and supporting structures involved in procurement; and (c) clarifies the second line of defence monitoring role to be played by the Regional Bureaux, DESS and other relevant headquarters Divisions.	Important	O	Submission to OIOS of evidence of the issuance of the Policy and Administrative Instruction on Procurement addressing the requirements specified under parts (a), (b) and (c) of the recommendation.	31 December 2019
2	The UNHCR Division of Emergency, Security and Supply, in coordination with the Regional Bureaux and relevant Divisions, should develop and implement a dissemination strategy for the rollout of the Policy and Administrative Instruction on Procurement, once finalized.	Important	O	Submission to OIOS of evidence of the development and implementation of a comprehensive dissemination strategy for the rollout of the Policy and Administrative Instruction on Procurement which includes a communication/outreach and training plan.	30 June 2020
3	The UNHCR Division of Financial and Administrative Management should: (a) clarify the responsibility of the respective Chairpersons of the Committees on Contracts in the monitoring of compliance with the procurement thresholds in the	Important	O	Submission to OIOS of evidence: a) that the responsibility of Chairpersons of the Committees on Contracts in the monitoring of compliance with the procurement thresholds in the field had been clarified and applied consistently; and b) of	31 March 2020

<sup>2</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>3</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>4</sup> C = closed, O = open

<sup>5</sup> Date provided by UNHCR in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

**Review of recurrent procurement management issues raised in past internal audit reports on field operations of the  
Office of the United Nations High Commissioner for Refugees**

	field; and (b) put in place a plan of action, such as through regular training, outreach and/or monitoring, to further operationalize the requirement for Local and Regional Committees on Contracts to address conflict of interest situations and to ensure that they are better informed and equipped to do so.		a plan of action to operationalize the requirement for LCCs and RCCs to address conflict of interest situations.	
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# **APPENDIX I**

## **Management Response**

### Management Response

#### Review of recurrent procurement management issues raised in past internal audit reports on field operations of the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Division of Emergency, Security and Supply (DESS), whilst finalizing the Policy and Administrative Instruction on Procurement, should ensure that it: (a) specifies the minimum requirements for procurement and provides guidance on additional controls to be considered depending on the context-specific procurement risks identified in each operation; (b) can be used by operations to assist in managing and allocating responsibilities and enforcing accountabilities for all relevant staff and supporting structures involved in procurement; and (c) clarifies the second line of defence monitoring role to be played by the Regional Bureaux, DESS and other relevant headquarters Divisions.	Important	Yes	Head of Supply Management Service (SMS)	31 December 2019	UNHCR is working on the finalization of the Policy on Procurement and the related Administrative Instruction and aims to finalize both documents by the end of 2019. The Policy and AI will become effective on 1 July 2020 in order to allow adequate time for capacity building and dissemination of these important guidance documents. These documents will address the requirements specified under points (a), (b) and (c) of the recommendation.
2	The UNHCR Division of Emergency, Security and Supply, in coordination with the Regional Bureaux and relevant Divisions,	Important	Yes	Chief of Field Procurement Section	Implemented	UNHCR has developed a dissemination strategy which has been shared with OIOS (attached).

<sup>6</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>7</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Review of recurrent procurement management issues raised in past internal audit reports on field operations of the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	should develop and implement a dissemination strategy for the rollout of the Policy and Administrative Instruction on Procurement, once finalized.					
3	The UNHCR Division of Financial and Administrative Management should: (a) clarify the responsibility of Chairpersons of the Committee on Contracts in the monitoring of compliance with the procurement thresholds in the field; and (b) put in place a plan of action, such as through regular training, outreach and/or monitoring, to further operationalize the requirement for Local and Regional Committees on Contracts, to address conflict of interest situations and to ensure that they are better informed and equipped to do so.	Important	Yes	Secretary Headquarters Committee on Contracts	(a) Implemented (b) 1 <sup>st</sup> quarter 2020	(a) The Administrative Instruction on the Rules and Procedures of the Committees on Contracts (UNHCR/AI/2018/Rev1) was revised in line with the key points of this recommendation and issued on 9 August 2019 to come into effect on 1 January 2020. Section 4.1h of the revision specifies that the Chairpersons of Committees on Contracts (CoC) have the responsibility of monitoring compliance with UNHCR Procurement Rules (including ensuring that the relevant CoC has the appropriate authority to review submissions presented at such CoC meetings). While the Division of Financial and Administrative Management (DFAM) is in the process of complementing the AI with further SOPs, UNHCR considers that part (a) of the recommendation has been addressed through the issuance of the Administrative Instruction.  (b) As to a plan of action to further operationalize the requirement for Local and Regional CoCs to address conflict of interest situations, training and awareness activities will be undertaken to enhance

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Rec. no.	Recommendation	Critical <sup>6</sup> / Important <sup>7</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						awareness among chairpersons and members of CoCs of the pertinent policies, rules and procedures and how to guard against either actual or perceived conflict of interest situations in carrying out their duties. UNHCR will share with OIOS the plan of action when completed as evidence for closure of this recommendation.