



INTERNAL AUDIT DIVISION

REPORT 2015/135

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 the African Union-United Nations Hybrid Operation in Darfur were initially assessed as partially satisfactory. Management has implemented all recommendations satisfactorily

FINAL OVERALL RATING: SATISFACTORY

5 November 2015
Assignment No. AP2015/634/04

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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 is responsible for the local procurement of goods and services for the Mission, and is governed by the United Nations Financial Regulations and Rules and the Procurement Manual. The Section is headed by a Chief Procurement Officer at P-5 level and has 33 authorized posts: 14 international and 19 national. The 2014/15 budgeted staff cost for the Section was \$2.2 million. From 1 July 2012 to 30 June 2015, UNAMID processed 579 local purchase orders valued at \$53.5 million.
4. Comments provided by UNAMID are incorporated in italics.

II. OBJECTIVE AND SCOPE

5. 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**.
6. The audit was included in the 2015 risk-based work plan of OIOS because of the operational risks related to procurement processes.
7. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide procurement activities in UNAMID; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.
8. The key control was assessed for the control objectives shown in Table 1.
9. OIOS conducted this audit from March to July 2015. The audit covered the period from 1 July 2012 to 30 June 2015.
10. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key control in mitigating associated risks. Through interviews and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

11. The UNAMID governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of local procurement of goods and services in UNAMID**. OIOS made two important recommendations to address the issues identified. UNAMID had: (a) implemented adequate controls to ensure compliance with its delegation of procurement authority; (b) properly established a Tender Opening Committee and Local Committee on Contracts that implemented adequate controls over the receipt of bids and review of procurement actions, respectively; (c) properly justified its ex-post facto cases; and (d) adequately trained its requisitioners. Additionally, UNAMID implemented adequate internal controls over the evaluation of bids, filing of financial disclosure and declaration of interest statements by procurement staff, and maintenance of procurement case files. However, UNAMID needed to ensure suppliers' performance was evaluated and to provide adequate guidance to requisitioners on documents to be submitted to the Procurement Section.

12. The initial overall rating was based on the assessment of key control presented in Table 1. The final overall rating is **satisfactory**² as all recommendations have been implemented satisfactorily.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of local procurement of goods and services in UNAMID	Regulatory framework	Partially satisfactory	Satisfactory	Satisfactory	Partially satisfactory
FINAL OVERALL RATING: SATISFACTORY					

Regulatory framework

UNAMID implemented adequate controls to ensure compliance with its delegation of procurement authority

13. The UNAMID delegation of procurement authority issued by the Under-Secretary-General, DFS requires: (a) only officials with delegated procurement authority from the UNAMID Director of Mission Support to approve procurement actions on behalf of the Mission; (b) the financial limits for any staff should not exceed those stipulated in the delegation of procurement authority as per the Procurement Manual; and (c) the Mission to submit monthly and quarterly reports to DFS on the procurement of core requirements exceeding \$500,000.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist 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.

² A rating of “**satisfactory**” means that governance, risk management, and control processes are adequately designed and operating effectively to provide reasonable assurance regarding the achievement of control and/or business objectives under review.

14. A review of the case files for 57 procurement actions valued at \$11.5 million indicated that: (a) only staff with proper delegation of procurement authority approved procurement actions on behalf of the Mission; (b) staff complied with their respective financial limits; and (c) the Mission submitted monthly and quarterly reports to DFS on the procurement of core requirements exceeding \$500,000. OIOS concluded that UNAMID implemented adequate controls to ensure compliance with its delegation of procurement authority.

The Mission established adequate controls over the review of procurement actions exceeding \$150,000

15. The Procurement Manual requires: (a) UNAMID to establish a Local Committee on Contracts (LCC) to review each procurement action exceeding \$150,000 and advise the Director of Mission Support on whether established policies and procedures have been complied with; and (b) the LCC to prepare minutes of its meetings and distribute these to all members, the Director of Mission Support and the Chief Procurement Officer within 10 business days of completing each meeting.

16. A review of the procurement process, the composition of the LCC and 57 procurement actions indicated that UNAMID properly constituted its LCC. The LCC was functioning effectively by adequately reviewing and advising the Director of Mission Support on all procurement actions exceeding \$150,000. The LCC convened weekly as per its terms of reference and prepared and distributed minutes of its meetings to all members. OIOS concluded that UNAMID implemented adequate controls over the review of procurement actions to ensure compliance with the provisions of the Procurement Manual.

The Mission's ex-post facto cases were properly justified

17. The Procurement Manual requires the Chief Procurement Officer to: (a) submit all ex-post facto cases to the LCC when the value of the procurement exceeds the financial threshold of the Chief Procurement Officer; and (b) report other ex-post facto cases not requiring the review of the LCC to the Director of Mission Support. The Manual also requires UNAMID to submit all ex-post facto cases exceeding the financial limit of the LCC to the Headquarters Committee on Contracts. The delegation of procurement authority requires UNAMID to submit to DFS within 15 days after the end of each quarter, a summary of ex-post facto cases and a brief narrative describing measures to avoid the reoccurrence of similar cases.

18. A review of the minutes of LCC for the audit period and interview of procurement staff indicated that UNAMID processed two ex-post facto cases valued at \$720,520 during the audit period. A review of these cases indicated that they were properly justified by the requisitioners and were within the financial threshold of the Chief Procurement Officer who presented them to LCC for its review. LCC included in its minutes narratives as well as measures to be taken to avoid recurrence of similar cases and reported them to the Director of Mission Support. UNAMID also reported the cases, including measures to avoid reoccurrence, to DFS. OIOS concluded that UNAMID implemented adequate controls over the justification for ex-post facto cases and reoccurrence of similar cases.

The Mission established a Tender Opening Committee that implemented adequate controls over bids

19. The Procurement Manual requires UNAMID to establish a Tender Opening Committee (TOC) to receive and safeguard bids in response to formal methods of solicitation and provide relevant training to members of the TOC. TOC is required to stamp each bid with the time and date of receipt, prepare and maintain records of its activities as well as solicitation abstracts.

20. A review of case files for 57 procurement actions and interviews with members of the Committee indicated that: (a) UNAMID established a TOC with clear terms of reference and updated its membership when necessary; (b) members of the Committee received necessary training on bid opening and processing; and (c) TOC maintained adequate records on all bids received and consistently stamped bids with the time and date of receipt and prepared relevant solicitation abstracts. OIOS concluded that UNAMID implemented adequate internal controls over the opening and safeguarding of bids.

UNAMID implemented adequate internal controls over the evaluation of bids

21. The Procurement Manual requires UNAMID to establish a technical evaluation committee consisting of at least two members to conduct technical evaluation of bids in accordance with source selection plans and solicitation documents and prepare a written report signed by all members. The Manual also requires UNAMID to establish commercial evaluation teams to evaluate cost related aspects of bids and document their evaluations by preparing comparative analyses and rationales for recommending vendors. The Manual requires technical and commercial evaluation team members to sign evaluation reports as evidence of their participation.

22. A review of case files related to 57 procurement actions indicated that UNAMID established technical evaluation teams comprising of least two members that conducted technical evaluation of bids using criteria and ratings provided in the respective source selection plans and solicitation documents. The commercial evaluation teams conducted commercial evaluation of bids and documented their results and by preparing comparative analyses and rationales for recommended vendors. Both technical and commercial evaluation team members signed evaluation reports as evidence of their participation. OIOS concluded that UNAMID implemented adequate internal controls over the evaluation of bids.

Adequate controls over filing of financial disclosure and declaration of interest statements

23. The Procurement Manual and Secretary-General's bulletin on financial disclosure and declaration of interest statements requires all procurement staff with principal duties to procure goods and services to annually file financial disclosure and declaration of interest statements with the Ethics Office.

24. Discussion with the Ethics Office on a sample of 20 out of 33 procurement staff indicated that they submitted their financial disclosure and declaration of interest statements to the Ethics Office for the audit period. OIOS concluded that UNAMID implemented adequate controls to ensure that procurement staff members filed their financial disclosure and conflict of interest statements.

Need for vendor performance evaluation

25. The Procurement Manual requires requisitioners and/or end-users to evaluate vendors' performance and file evaluation reports with the Vendor Registration Officer in the Procurement Division.

26. A review of the case files for 57 procurement actions indicated that requisitioners and/or end users did not evaluate performance of the vendors in any of these 57 procurement actions. The Procurement Section attributed this to lack of clarity on the requirement of vendor performance evaluation particularly regarding submission of evaluation reports to the Vendor Registration Officer. However, the audit results indicated that the requirement was clear as confirmed by the Procurement Division in its communication to UNAMID and that the Procurement Section simply did not enforce the requirement for vendor performance evaluation. As a result, there was a risk that the Organization may award contracts to vendors with history of poor performance.

(1) UNAMID should implement procedures to enforce the requirement for vendors' performance evaluation.

UNAMID accepted recommendation 1 and stated that it updated its procurement case file checklist with a requirement to include vendors' performance reports in the files. The Procurement Section also obtained all outstanding vendor performance reports from the respective end users and filed them in the relevant case files. Based on OIOS verification of the action taken by UNAMID, recommendation 1 has been closed.

Need for timely award of contracts

27. The Procurement Manual requires UNAMID to award a contract within 87 days when LCC review is not required and 97 days when LCC review is required from the date the requisition is approved.

28. A review of the case files for 57 procurement actions indicated that UNAMID promptly awarded contracts in respect of 20 cases and in respect of 17 other cases and exceeded the 97 days by: (a) up to 10 days for two cases, (b) an average of 30 days for another two cases; (c) an average of 75 days for nine cases; and (d) an average of 120 days for four cases.

29. The above resulted because requisitioners delayed responding to queries from the Procurement Section. While requisitioners received adequate training on their procurement functions, the Procurement Section had not provided adequate guidance such as a checklist of documents that requisitioners were required to provide with each requisition. As a result, there was a risk that required goods and services were not available to support the Mission's operations.

(1) UNAMID should provide adequate guidance such as a checklist of documents to be submitted with requisitions to self-accounting units to ensure completeness of their submissions to the Procurement Section.

UNAMID accepted recommendation 2 and stated that its recent initiatives such as the review of its standard operating procedures and promulgation of additional procedures on the development of statements of works for solicitation would further improve the timely award of contracts. Based on OIOS verification of the action taken by UNAMID, recommendation 2 has been closed.

UNAMID maintained complete and organized procurement case files

30. The Procurement Manual contains a list of the minimum documents required to be included in procurement case files. The Procurement Section has a case file checklist, which requires procurement staff to include specific documents in each case file or provide an explanation on the checklist in respect to a mandatory document not included.

31. A review of the case files for 57 procurement actions indicated that the Procurement Section properly maintained the required documents such as source selection plans, solicitation documents, bids, evidence of tender receipt and opening, technical and commercial evaluation reports, communications of awards and regret letters to unsuccessful vendors. OIOS concluded that UNAMID implemented adequate controls over procurement case files.

IV. ACKNOWLEDGEMENT

32. 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, Acting Head
Office of 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 ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMID should implement procedures to enforce the requirement for vendors' performance evaluation.	Important	C	Action taken.	Implemented
2	UNAMID should provide adequate guidance such as a checklist of documents to be submitted with requisitions to self-accounting units to ensure completeness of their submissions to the Procurement Section.	Important	C	Action taken	Implemented

¹ 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.

² 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.

³ C = closed, O = open

⁴ Date provided by UNAMID in response to recommendations.

APPENDIX I

Management Response

AFRICAN UNION

الاتحاد الأفريقي



UNAMID



UNITED NATIONS

الأمم المتحدة

African Union – United Nations Hybrid Operation in Darfur

Office of the Acting Joint Special Representative

05 November 2015

To: Ms. Eleanor T. Burns, Director
Internal Audit Division, OIOS

From: Abiodun Oluremi Bashua
Acting Joint Special Representative
UNAMID

Subject: Draft report on an audit of local procurement of goods and services in the African Union-United Nations Hybrid Operation in Darfur (Assignment No. AP2015/634/04)

1. With reference to your memorandum of 04 November 2015, on the captioned-subject matter, please find attached UNAMID's response (Appendix I) to the draft report for your consideration.
2. All related portfolio of evidence have been submitted to the office of the Chief Resident Auditor for verification.
3. I further confirm on the factual accuracy of the report.

Thank you.

cc: Mr. Anthony Nweke, Officer-in-Charge, Mission Support Division, UNAMID
Mr. Ishtiaq Aslam, Chief Procurement Officer, UNAMID
Mr. Bolton Tarleh Nyema, Chief, Peacekeeping Audit Service, IAD, OIOS
Mr. Prances Sooza, Chief Resident Auditor, Internal Audit Division, OIOS
Mr. Velayutham Gopal, Audit Focal Point, UNAMID
Ms. Cynthia Avena-Castillo, Professional Practices Section, Internal Audit Division, OIOS

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMID should implement procedures to enforce requirement for vendors' performance evaluation.	Important	Yes	Chief Procurement Officer	05 October 2015	This recommendation has been duly implemented. Guideline # 19 is in effect and section staffs have been reminded of it again (copy enclosed). Moreover, under Guideline # 38 the case file check list (copy enclosed) has also been amended to include the Supplier Performance Report to ensure that the case file completion steps include seeking the VPR for the concerned SAU. Advice had been sought also from UNPD since the Vendor Roster Management function has now been centralized in Umoja. All deficient VPRs have been sought from the respective SAUs and received. It is an ongoing process and as and when a PO/contract is completed or the periodic VPR is due it is sought from/provided by the SAU. After necessary endorsements in Procurement, they are now being transmitted to UNPD for their records. All related portfolios of evidence have been submitted to the office of the Chief Resident Auditor for

¹ 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.

² 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

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						verification. Mission requests that this recommendation is therefore closed.
2	UNAMID should provide adequate guidance such as a checklist of documents to be submitted with requisitions to self-accounting units to ensure completeness of their submissions to the Procurement Section.	Important	Yes	Chief Procurement Officer	05 October 2015	<p>This recommendation has been implemented. The observed cases were from the older periods since the audit covered two year duration. During the FY 2013/2014 and 2014/2015 various initiatives have been taken for the requisitioners' training in development of SOW/SOR, specifications writing and conduct of Technical Evaluation.</p> <ul style="list-style-type: none"> • UNAMID Administrative Instruction 2013/006 covers the check list for the requisitioners to verify before raising a shopping cart. • SOP # UNAMID/CMS/SOP/2011/006.1 issued and reviewed in July 2015 (copy enclosed) • RPO led requisitioners training on SOW/SOR and TE conducted in December 2013 in which over 150 mission staff participated (both requisitioners and Procurement/CMS). • CMS led training conducted in April 2014 to an audience of about 50 mission staff. • Another round of training is under

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>preparation jointly by PS and CMS to take place in November/December 2015.</p> <ul style="list-style-type: none"> • Procurement works closely with the SAUs in formulation of Budget proposals which gives an early warning to PS on the upcoming projects and also through PS guidance for the first time mission has included in its budget submission multiyear projects and requested the allotment accordingly for construction works so that funding is released according to the project schedule and not upfront which may not be consumed in the same year. • There is a close cooperation/coordination between SAU, CMS and Procurement in the planning stage of the requirement and all kinks are removed during the joint review of the SOW before the SC is submitted in ready to bid form to Procurement for its action. • CMS participates and leads the technical evaluation for complex projects providing continuous guidance to the technical staff who may not have adequate knowledge of solicitation process nuances.

Management Response

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

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>The above actions have significantly removed the avoidable delays that used to be experienced in preparation and processing of documents at various stages of the solicitation. The system is working smoothly. There is higher degree awareness of staff of the process and it continues to improve. The recently concluded BOA of the year 2014/2015 confirms that this shortfall has no longer been observed in the processes of the acquisition for the mission.</p> <p>All related portfolios of evidence have been submitted to the office of the Chief Resident Auditor for verification. Mission requests that this recommendation is therefore closed.</p>