



INTERNAL AUDIT DIVISION

REPORT 2016/059

Audit of the use of consultants and individual contractors in the United Nations Support Office in Somalia

Overall results relating to the effective management of the use of consultants and individual contractors were initially assessed as partially satisfactory. Implementation of five important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

27 May 2016

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AUDIT REPORT

Audit of the use of consultants and individual contractors in the United Nations Support Office in Somalia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the use of consultants and individual contractors in the United Nations Support Office in Somalia (UNSOS).
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 administrative instructions on consultants and individual contractors (ST/AI/1999/7 and ST/AI/2013/4) provide the policies for obtaining the services of consultants and individual contractors. The Under-Secretary-General of the Department of Field Support (DFS) delegated the authority and responsibility for recruiting consultants and individual contractors to the Director of UNSOS. Such responsibility includes selecting consultants and individual contractors, determining their eligibility, establishing fees, raising contracts and effecting payments.
4. The UNSOS Human Resources Section is responsible for ensuring that services to be rendered meet the conditions stipulated in the administrative instructions and decisions on the selection of consultants and individual contractors are taken in accordance with the provisions of the delegated authority. The Section is headed by the Chief Human Resources Officer at the P-5 level and had 21 staff comprising: 10 international staff, 1 national professional officer, 5 general service staff and 5 individual contractors. The Section's budgeted staff cost for 2014/15 was \$1.6 million.
5. In fiscal years 2012/13, 2013/14 and 2014/15, UNSOS budgeted for an equivalent of 660 consultants at \$6.4 million and for 49 individual contractors at \$0.5 million to assist in the administrative, finance and logistics operations of UNSOS.
6. Comments provided by UNSOS are incorporated in italics.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNSOS governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the use of consultants and individual contractors in UNSOS**.
8. The audit was included in the 2015 risk-based work plan of OIOS due to financial, compliance and operational risks related to using a high number of consultants and individual contractors in UNSOS.
9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this control as the one that provides reasonable assurance that policies and procedures: (a) exist on the use of consultants and individual contractors in UNSOS; (b) are complied with and implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.

10. The key control was assessed for the control objectives shown in Table 1. One control objective shown in Table 1 as “not assessed” was not relevant to the scope defined for this audit.

11. OIOS conducted the audit from May to December 2015. The audit covered the period from 1 July 2012 to 30 April 2015. Also, due to the control weaknesses identified, OIOS conducted further tests focused on the recruitment process from 1 May 2015 until 31 March 2016.

12. 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

13. The UNSOS governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of the use of consultants and individual contractors in UNSOS**. OIOS made five recommendations to address the issues identified. UNSOS promulgated adequate standard operating procedures on 20 February 2015 to guide managers in hiring and selecting consultants and individual contractors. However, these guidelines were not effectively followed. UNSOS needed to implement adequate supervisory and monitoring controls to ensure hiring managers: (a) comply with procedures for the recruitment of consultants and individual contractors, including posting of announcements, obtaining formal applications, and preparing terms of reference; (b) plan their requirements for consultancies and individual contractual services; (c) verify academic and professional qualifications, and conduct reference checks of consultants and individual contractors; and (d) comply with the requirements for performance evaluations and checkout process of consultants and individual contractors. UNSOS also needed to ensure only staff with the relevant delegation of recruitment authority sign contracts.

14. The initial overall rating was based on the assessment of key control presented in Table 1. The final overall rating is **partially satisfactory** as implementation of five important recommendations remains in progress.

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 the use of consultants and individual contractors in UNSOS	Regulatory framework	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

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.

Regulatory framework

Need for compliance with the requirements for the recruitment of consultants and individual contractors

15. The administrative instructions on consultants and individual contractors require UNSOS to: (a) prepare terms of reference describing the work to be performed with measurable outputs, objectives, specific delivery dates, description of how the work should be performed and performance indicators, and to sign and date the terms of reference; (b) post vacancy announcements when services are needed for more than six months; (c) obtain application forms from all applicants; and (d) ensure adequate evidence is maintained of the hiring and selection process, including a shortlist of a minimum of three candidates.

16. A review of the contract files of 20 out of 64 consultants and 50 out of 195 individual contractors, and interview with UNSOS Human Resources Section staff indicated that UNSOS did not: (a) prepare terms of reference for 16 consultants and 45 individual contractors and the terms of reference for 4 consultants and 5 individual contractors did not include the delivery dates, description of the work to be performed, objectives and targets of the assignments, and timelines; (b) establish rosters for consultants and individual contractors; (c) post vacancy announcements in the recruitment of 20 consultants and 49 individual contractors even though the related services were needed for more than six months; and (d) obtain application forms related to the recruitment of 14 consultants and 19 individual contractors.

17. UNSOS developed and promulgated standard operating procedures on 20 February 2015 to address the above-mentioned control weaknesses and to provide additional guidance to hiring managers. However, additional testing conducted by OIOS of hiring process (from 1 May 2015 to 31 March 2016) indicated that the procedures implemented were not fully effective. For example, a review of recruitment activities for 4 of 41 consultants and 10 of 106 individual contractors during 1 May 2015 to 31 March 2016 indicated that hiring managers and the Human Resources Section were not consistent in ensuring that terms of reference for consultants and individual contractors were prepared, and that the terms of reference included description of the work to be performed, objectives and targets for completion of the work. Also, UNSOS did not post vacancy announcement for the recruitment of 7 of 10 individual contractors whose services were needed for more than six months and obtain application forms for the recruitment of 3 of 4 consultants and 4 of 10 individual contractors.

18. The above was because UNSOS management had not implemented effective supervisory and monitoring controls to ensure hiring managers were complying with the administrative instructions and its newly developed standard operating procedures. As a result, UNSOS did not have an adequate basis for monitoring and evaluating the quality and timeliness of the services provided by consultants and individual contractors, increasing the risk of UNSOS not fully realizing the benefits of the related services provided.

(1) UNSOS should implement effective supervisory and monitoring controls over the hiring and management of consultants and individual contractors to ensure programme managers consistently: post vacancy announcements when required; obtain formal applications related to the recruitment process; and prepare terms of reference reflecting the delivery dates, description, objectives and performance targets of the work to be performed.

UNSOS accepted recommendation 1 and stated that action was being taken to ensure that vacancy announcements are issued when required. Management would also ensure that applicants for individual contractors or consultant complete the requisite application forms, and prepare detailed terms of reference to accompany requests for engagement of consultants or

individual contractors. Recommendation 1 remains open pending receipt of evidence that UNSOS is fully complying with requirements for the sourcing of consultants and individual contractors.

Need for improved planning and administration of consultants and individual contractors

19. The administrative instructions require UNSOS to engage individual contractors and consultants under a temporary contract to perform specific tasks that are short-term in nature for up to 6 months, or in special circumstances, 9 work-months in a period of 12 consecutive months. The results-based budget process requires UNSOS programme managers to plan their requirements for consultants and individual contractors, and include estimates of all programme delivery costs in the budget.

20. A review of the contract files of 20 out of 64 consultants and 50 out of 195 individual contractors and the 2012/13, 2013/14 and 2014/15 budgets; analyses of the database of consultants and individual contractors; and interviews with the Budget and Finance Section staff indicated that UNSOS did not adequately plan its requirements for consultants and individual contractors, and repeatedly used the same consultants and individual contractors to perform functions that were long-term in nature. For example, UNSOS extended the contracts for 21 of 195 individual contractors for up to 18 months. The Engineering Section hired 14 of 17 consultants on 12-month contracts; the Transport Section repeatedly hired 52 individual contractors as drivers on a six-month basis; and the Aviation Section hired 1 of 10 consultants as an Aviation Hub Manager.

21. The above resulted because UNSOS management had not provided sufficient guidance or implemented a procedure to ensure that end users of consultants' and individual contractors' services adequately planned their requirements for these services. As a result, there were budget overruns as UNSOS overspent its budget of \$6.9 million for 572 individual contractors and 308 consultants by \$2.2 million during the three-year audit period. This also posed the risk of the recruitment process being unfair and not transparent.

(2) UNSOS should provide adequate guidance to end users of consultancy and individual contractual services on planning for these services.

UNSOS accepted recommendation 2 and stated that it would develop the required guidance on planning for the use of consultancy and individual contractual services, but that unforeseen requirements would require engaging services not budgeted for. Recommendation 2 remains open pending receipt of evidence showing that UNSOS has adequately planned its requirements for short-term staffing solutions.

Need to verify the credentials, qualifications and experience of consultants and individual contractors

22. The administrative instructions require the UNSOS Human Resources Section to verify the candidates' academic and professional qualifications, and conduct appropriate reference checks.

23. A review of the contract files of 20 out of 64 consultants and 50 out of 195 individual contractors indicated that the Human Resources Section did not verify the academic and professional qualifications of selected candidates, and did not conduct reference checks for all consultants and 45 individual contractors. This was because the Section overlooked this requirement, and therefore had not implemented procedures to ensure that the required reference and background checks were being conducted. As a result, there was a risk that UNSOS recruited individuals without the required qualifications and experience.

(3) UNSOS should implement effective procedures to enforce the requirements to verify academic and professional qualifications, and to conduct reference checks of consultants and individual contractors.

UNSOS accepted recommendation 3 and stated that it: developed a form in January 2016 for use in verifying academic and professional qualifications; and conducted reference checks for prospective consultants and individual contractors and would continue performing these checks for new consultants and individual contractors. Recommendation 3 remains open pending receipt of evidence that UNSOS is satisfactorily verifying the academic and professional qualifications, and obtaining references of consultants and individual contractors.

Need to comply with the delegation of recruitment authority for consultants and individual contractors

24. The delegation of recruitment authority and responsibility issued to heads of missions and offices by the Under-Secretary-General for Field Support on 24 October 2008 requires the UNSOS Director to sub-delegate the authority to recruit consultants and individual contractors on a personal basis, that is, only staff with delegated recruitment authority may sign contracts for consultants and individual contractors.

25. A review of the contract files of 20 out of 64 consultants and 50 out of 195 individual contractors indicated that the UNSOS Director had properly sub-delegated recruitment authority and responsibility for consultants and individual contractors to the Chief Human Resources Officer on a personal basis. However, two staff members without recruitment authority signed five and two contracts, respectively. This was because the Human Resources Section was of the view that the delegation of authority allowed these two staff to sign the contracts as certifying officer and Officer-in-Charge of the Human Resources Section, respectively. As a result, there was a risk that unauthorized staff were committing the Organization's resources.

(4) UNSOS should take appropriate measures to ensure that only staff with the relevant delegation of authority and responsibility sign contracts for consultants and individual contractors.

UNSOS accepted recommendation 4 and stated that it would formally delegate authority to sign contracts to the appropriate personnel. Recommendation 4 remains open receipt of evidence that UNSOS has delegated recruitment authority and only staff with such authority sign the contracts of consultants and individual contractors.

Need to conduct performance evaluations of and checkout procedures

26. The administrative instructions require supervisors of consultants and individual contractors to evaluate their performance on the completion of their assignments. UNSOS standard operating procedures require the Human Resources Section to complete and sign checkout forms for consultants and individual contractors to ensure proper accountability for United Nations assets allocated to them.

27. A review of the contract files of 20 out of 64 consultants and 50 out of 195 individual contractors indicated the absence of checkout forms for 17 consultants and 25 individual contractors and performance evaluations for 13 consultants and 22 individual contractors who completed their assignments. This was because the Human Resources Section overlooked the requirements for performance evaluation and checkout for consultants and individual contractors and routinely signed checkout forms without first obtaining completed performance evaluations. As a result, there was a risk of UNSOS: rehiring poorly performing consultants and individual contractors; and financial and property loss.

(5) UNSOS should implement effective monitoring procedures to enforce the requirements for performance evaluation and checkout of consultants and individual contractors.

UNSOs accepted recommendation 5 and stated that it would establish a framework to ensure compliance with the performance evaluation and checkout requirements and that, as at 1 January 2016, it had completed the performance evaluation of all individual contractors that checked out as well as those whose contracts had been extended. Recommendation 5 remains open pending receipt of evidence that UNSOS has complied with the requirements for evaluating the performance and completing the checkout process of consultants and individual contractors.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
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Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the use of consultants and individual contractors in the United Nations Support Office in Somalia

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1.	UNSOS should implement effective supervisory and monitoring controls over the hiring and management of consultants and individual contractors to ensure programme managers consistently: post vacancy announcements when required; obtain formal applications related to the recruitment process; and prepare terms of reference reflecting the delivery dates, description, objectives and performance targets of the work to be performed.	Important	O	Receipt of evidence that UNSOS is fully complying with requirements for the sourcing of consultants and individual contractors.	August 2016
2.	UNSOS should provide adequate guidance to end users of consultancy and individual contractual services on planning for these services.	Important	O	Receipt of evidence showing that UNSOS has planned its requirements for short-term staffing solutions.	August 2016
3.	UNSOS should implement effective procedures to enforce the requirements to verify the academic, professional qualifications, and references of consultants and individual contractors.	Important	O	Receipt evidence that UNSOS has begun verifying the academic, professional qualifications, references of consultants and individual contractors.	June 2016
4.	UNSOS should take appropriate measures to ensure that only staff with the relevant delegation of authority and responsibility sign contracts for consultants and individual contractors.	Important	O	Receipt of evidence that UNSOS has delegated recruitment authority and only staff with such authority sign the contracts of consultants and individual contractors..	March 2016
5.	UNSOS should implement effective monitoring procedures to enforce the requirements for performance evaluation and checkout of consultants and individual contractors.	Important	O	Receipt of evidence that UNSOS has implemented a framework for evaluating the performance and completing the checkout process of consultants and individual contractors.	April 2016

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 UNSOS in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the use of consultants and individual contractors in the United Nations Support Office in Somalia

Rec. no.	Recommendation	Critical/ ¹ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1.	UNSOS should implement an effective monitoring mechanism and enforce the requirements for programme managers to consistently post vacancy announcements when the consultancies or contractual services are needed for more than 6 months; obtain formal applications related to the recruitment of consultants and individual contractors; prepare terms of reference reflecting the delivery dates, description, objectives, and performance targets of the work to be performed; and prepare and use rosters to recruit consultants and individual contractors.	Important	Yes	CHRO	September 2016	<p>UNSOS management accepts the recommendation.</p> <p>Management acknowledges that in some cases vacancy announcements were not posted when the services of individual contractors and consultants were required for more than six months. Management has commenced action to ensure that vacancy announcements are issued when such services are required. The vacancy announcement for drivers has been posted, and the process is expected to be completed by August 2016.</p> <p>Management will ensure that applicants for individual contractor or consultant positions complete the requisite PHP, P11 or other relevant UN application forms.</p> <p>Management will also ensure that that the detailed terms of reference are attached to the request for engagement of consultants or individual contractors.</p>

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 the use of consultants and individual contractors in the United Nations Support Office in Somalia

	Recommendation	Critical ¹ / Important ²	Accepted ? (Yes/No)	Title of responsible individual	Implementation Date	Client comments ³
2.	UNSOS should provide adequate guidance to end users of consultancies and individual contractual services on planning for the requirements for short-term staffing solutions	Important	YES	Chief Human Resources Officer	August 2016	Management accepts the recommendation and will develop the required guidance to end-users, to ensure better alignment and plans and budgets for short-term staffing requirements. However, it should be noted that unforeseeable requirements do arise in the very challenging operating environment of UNSOS, which require the engagement of consultants and individual contractors beyond those budgeted.

Management Response

Audit of the use of consultants and individual contractors in the United Nations Support Office in Somalia

	Recommendation	Critical ¹ / Important ²	Accepted ? (Yes/No)	Title of responsible individual	Implementation Date	Client comments ³
3.	UNSOS should implement effective procedures to enforce the requirements to verify the academic, professional qualifications, and references of consultants and individual contractors.	Important	YES	Chief Human Resources Officer	June 2016	<p>Management seeks to advise the auditors that UNSOS will verify the academic and professional qualifications of all prospective consultants and ICs.</p> <p>A new form was introduced in January 2016 for the verification of candidates' academic and professional qualifications. Reference checks are also being conducted, and Management will ensure that all proposed consultants and ICs are subject to these requirements.</p>
4.	UNSOS should take appropriate measures to ensure that only staff with the relevant delegation of authority and responsibility sign contracts for consultants and individual contractors.	Important	YES	Chief Human Resources Officer	March 2016	Management notes the recommendation and will ensure that the delegation of authority sign contracts is formally assigned to the appropriate personnel.

Management Response

Audit of the use of consultants and individual contractors in the United Nations Support Office in Somalia

	Recommendation	Critical ¹ / Important ²	Accepted ? (Yes/No)	Title of responsible individual	Implementation Date	Client comments ³
5.	UNSOS should implement effective monitoring procedures to enforce the requirements for performance evaluation and checkout of consultants and individual contractors.	Important	YES	Chief Human Resources Officer	April 2016	<p>Management accepts the recommendation and will establish a framework for ensuring compliance with the performance evaluation and checkout requirements.</p> <p>With effect from 1 January 2016, performance evaluation has been completed for all ICs who have checked out, and for those whose contracts are being extended.</p> <p>All end users of consultants and ICs will also be formally advised of these provisions.</p>