



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of Local Committee on Contracts in MONUSCO

Overall results relating to effective functioning of the Local Committee on Contracts in MONUSCO were initially assessed as partially satisfactory. Management has implemented all recommendations satisfactorily.

FINAL OVERALL RATING: SATISFACTORY

24 August 2012

Assignment No. AP2011/620/15

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AUDIT REPORT

Audit of Local Committee on Contracts in MONUSCO]

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of Local Committee on Contracts (LCC) in the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).
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 primary role of the LCC in MONUSCO is to review and provide advice to the Director of Mission Support (DMS) on whether proposed procurement actions, including contracts that generate income to the Organization, are in accordance with the United Nations Financial Regulations and Rules, Administrative Instructions and the Procurement Manual. MONUSCO's LCC has a chairperson, two alternate chairpersons and 19 members. The Chief Procurement Officer attends as an ex-officio member and there are five alternating secretaries.
4. During 2009/10 and 2010/11, the LCC met 73 times to review 294 proposed procurement actions and contracts valued at \$504 million. This included 69 ex-post facto cases.
5. Comments provided by MONUSCO are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit of the LCC was conducted to assess the adequacy and effectiveness of MONUSCO's governance, risk management and control processes in providing reasonable assurance regarding the **effective functioning of the LCC**.
7. This audit was included in the 2011 OIOS risk-based work plan due to the importance of the role of the LCC in the procurement process.
8. The key control tested for this audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as a control that provide reasonable assurance that policies and procedures: (i) exist to guide the operations of the local committee on contracts in MONUSCO; (ii) are implemented consistently; and (iii) ensure reliability and integrity of financial and operational information.
9. The key control was assessed for the control objectives shown in Table 1.
10. OIOS conducted this audit from October 2011 to March 2012. The audit covered the period from 1 July 2009 to 30 June 2011.
11. 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, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. MONUSCO’s governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective functioning of the LCC**. OIOS made two recommendations to address issues identified. The LCC was established and generally functioned in accordance with the relevant United Nations Financial Regulations and Rules and other instructions. However, further improvement was needed to ensure that the LCC’s concerns were adequately addressed prior to recommending approval of procurement cases. The operational constraints in using the electronic Committee on Contracts (eCC) system needed to be reported to the Headquarters Committee on Contracts (HCC), so that they were addressed satisfactorily.

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

Table 1: Assessment of key controls

	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective functioning of the LCC	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: SATISFACTORY					

A. Regulatory framework

The LCC was generally functioning effectively

14. Procedures were in place to ensure that all new and existing LCC members attended the training courses developed by the HCC to allow members to understand and effectively perform their duties. Also, financial disclosure statements were filed by LCC members as required. Additionally, LCC members who were requisitioners did not participate in deliberations, were not part of the quorum and did not vote on submissions relating to their respective requisitions.

15. LCC meetings were regularly scheduled, and the agenda and case submission materials were distributed in a timely manner allowing members to prepare for meetings. Minutes of the meetings were properly documented and approved by the DMS, and circulated to members and other interested parties. The case submission materials were generally complete to enable a proper deliberation by LCC members.

LCC needed to ensure that concerns are fully addressed prior to recommending approval of procurement

16. In some cases the LCC, although not fully satisfied with the information available or the process followed, still recommended that the DMS approve the procurement. For example, approvals were recommended when: (a) submission for extension of leases of property did not adequately reflect all the associated costs; (b) the amount exceeded the Procurement Officer’s delegated authority; (c) vendors had not submitted all the required documentation such as a copy of their operating license; and (d)

commercial evaluations were not sufficiently comprehensive with inadequate justification for recommending splitting the award. These procurements were recommended for approval as they were submitted to the LCC close to the contract/lease expiry date, and delays in procuring the goods and services would impact MONUSCO's operations.

(1) MONUSCO's Local Committee on Contracts should not recommend approval of procurement actions unless it is fully satisfied with the case presentation.

MONUSCO accepted recommendation 1 and stated that internal controls have been strengthened, which included a tracking system to ensure that cases were not recommended by the LCC for the approval by the DMS until the required documentation was provided and questions raised have been appropriately addressed. Based on the action taken by MONUSCO, recommendation 1 has been closed.

Management of contracts and leases

17. The LCC reviewed 69 ex-post facto cases or 23 per cent of the 294 procurement cases submitted in the audit period. The high number was due to inadequate and ineffective administration of contracts and leases to ensure that expiry dates were monitored, and acted upon in a timely manner. In July 2011, MONUSCO implemented procedures to better monitor contract expiry dates and Not-to-Exceed amounts, issued standard operating procedures for the rental of premises, and provided training on contract management to self-accounting units. As of May 2012, no new ex-post facto case was reported for 2012. OIOS was satisfied that adequate measures were implemented to ensure more effective contract management, limiting the need for ex-post facto approval by the LCC.

The electronic Committee on Contracts (eCC) database should be improved

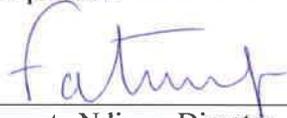
18. MONUSCO used the eCC database as a workflow tool for the LCC, including the transfer of cases to the HCC and to the Procurement Division in Headquarters. In using the eCC database, MONUSCO encountered some weaknesses in the system that led to delays in the submission, review and approval of cases including: (a) inability for more than one member to access data at one time; (b) allowing only a maximum of four LCC members access to each case; (c) limits to the number of documents that could be up-loaded; (d) non-acceptance of single sourcing procurement cases; and (e) delays in replicating data. As these issues could be resolved by Headquarters, MONUSCO needed to coordinate with the HCC to address them satisfactorily.

(2) MONUSCO should take action to ensure that the electronic Committee on Contracts database is functioning effectively.

MONUSCO accepted recommendation 2 and stated that all the weaknesses of the eCC database had been resolved including multiple access rights, increase of the maximum number of pages for upload of attachments, acceptance of different types of cases and resolution of replication issues. Based on the action taken by MONUSCO, recommendation 2 has been closed.

IV. ACKNOWLEDGEMENT

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



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ANNEX I

STATUS OF AUDIT RECOMMENDATIONS

Audit of Local Committee on Contracts in MONUSCO

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	MONUSCO's Local Committee on Contracts should not recommend approval of procurement actions unless it is fully satisfied with the case presentation.	Important	C	Action taken	Implemented
2	MONUSCO should take action to ensure that the electronic Committee on Contracts database is functioning effectively.	Important	C	Action taken	Implemented

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by MONUSCO