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INTEROFFICE MEMORANDUM

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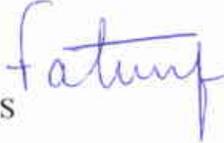
OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Lamberto Zannier
A: Special Representative of the Secretary-General
United Nations Interim Administration Mission in Kosovo

DATE: 3 October 2008

REFERENCE: IAD: 08- 01786

FROM:  Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS



SUBJECT: Assignment No. AP2007/650/11 – Audit of the execution of the delegation of authority to
OBJET: UNMIK to procure core requirements

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close the recommendation in the OIOS recommendations database.

I. INTRODUCTION

3. The Office of Internal Oversight Services (OIOS) conducted an audit of the execution of the delegation of authority to United Nations Interim Administration Mission in Kosovo (UNMIK) to procure core requirements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

4. The audit was conducted at the request of the UN Controller to obtain assurance that there were adequate and effective internal controls in place over the delegated authority to procure core requirements. At present, peacekeeping operations have a delegated authority to procure core requirements locally up to \$1 million. Core requirements are defined as “essential goods and services which by their nature lend themselves to local procurement and are not available on United Nations Headquarters contracts”.

5. In fiscal year 2006/2007, UNMIK executed 345 procurement cases totaling \$17 million of which 23 cases totaling \$10.7 million involved core requirements. In comparison, for fiscal year 2005/2006, a total of 417 procurement cases totaling \$18 million were executed, of which 22 cases totaling \$10 million involved core requirements.

6. Comments made by UNMIK are shown in *italics*.

II. AUDIT OBJECTIVES

7. The objective of the audit was to determine whether adequate and effective controls were established by the Mission to execute the delegation of authority to procure core requirements.

III. AUDIT SCOPE AND METHODOLOGY

8. The audit covered transactions relating to the procurement of core requirements processed in fiscal year 2006/2007 and included reviewing relevant documentation, conducting analytical tests and interviewing key UNMIK personnel involved in the procurement of core requirements.

IV. OVERALL ASSESSMENT

9. UNMIK had generally implemented effective controls over the execution of the delegation of authority to procure core requirements and complied with the requirements of the delegated authority. However, UNMIK's budget and financing are denominated in US dollars, the value of which has declined sharply against the Euro. Almost all of UNMIK's payments are in Euros and the rise in prices has significantly diminished the value of the amount delegated to the Mission.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Execution of the delegated authority to procure core requirements

10. Based on the cases it reviewed, OIOS concluded that the UNMIK Procurement Section generally complied with the procurement regulations, rules and procedures in areas such as advertising requirements, international competitive bidding and ensuring that the required number of invitees was invited. The Section also established adequate and effective controls to execute the delegation of authority to procure core requirements up to \$1 million.

11. The Procurement Section pointed out, however, that UNMIK's budget and financing are denominated in US dollars, the value of which has declined sharply against the Euro. UNMIK operates in Europe, and almost all of its payments are in Euros. The decline of the dollar and the general rise in prices has significantly diminished the value of the amount previously delegated to the Mission.

12. The delegation of authority to procure core requirements locally was \$1 million which equaled €634,000 as of April 2008, which is not sufficient. UNMIK has several contracts for core requirements exceeding the \$1 million threshold, such as cleaning and janitorial services, provision of ground fuel, security services and camp support services for police units. If a new threshold is necessary, UNMIK will need to determine a revised threshold according to operational needs and the capacity and expertise of the Procurement Section to carry out the delegated authority.

B. Requirement to report procurements that exceed the \$200,000 threshold

13. Under the delegation of procurement authority given to the Director of Mission Support (DMS), the DMS is to submit a written report to the Assistant Secretary-General, Department of Field Support (ASG/DFS) and to the Chief, Procurement Division (PD), Department of Management within 30 days after the procurement of core requirements exceeding \$200,000.

14. The DMS relies on the Procurement Section to submit the cases to be reported, but the Procurement Section does not maintain a record of the cases that exceed \$200,000, and therefore DMS cannot verify that all cases that should be reported are in fact reported. There is no system that identifies and records core requirements cases. Although the Mission was in compliance with the requirement to submit written reports on core requirements cases exceeding \$200,000, in OIOS' view, the Mission needs to maintain a file in respect of such cases.

Recommendation 1

(1) The UNMIK Office of Mission Support should maintain a file in the Procurement Section in respect of procurement cases involving core requirements that exceed \$200,000 to ensure that the Mission complies with the requirement to report such cases to the Assistant Secretary-General/Department of Field Support.

15. *The UNMIK Office of Mission Support accepted the recommendation and stated that the UNMIK Procurement Section has implemented, with immediate effect, the recommendation by establishing a chronological file to maintain records on the procurement cases of core requirements that exceed \$200,000.* Based on the action taken by the UNMIK Mission Support, the recommendation has been closed.

VI. ACKNOWLEDGEMENT

16. We wish to express our appreciation to the Management and staff of UNMIK for the assistance and cooperation extended to the auditors during this assignment.

cc: Mr. Lucien Chaker, OIC, Division of Mission Support, UNMIK
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
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