



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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## **Local Committee on Contracts in UNAMID**

**UNAMID needs to more consistently comply with  
the rules and procedures governing the Local  
Committee on Contracts**

**26 February 2010**

**Assignment No. AP2009/634/17**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

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

TO: Mr. Ibrahim Gambari  
A: Joint Special Representative  
UNAMID

DATE: 26 February 2010

REFERENCE: IAD: 10- 0014

FROM: Fatoumata Ndiaye, Director  
DE: Internal Audit Division, OIOS

*Fatoumata*

SUBJECT: **Assignment No. AP2009/634/17 - Audit of the Local Committee on Contracts in UNAMID**  
OBJET:

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 recommendations 1, 2 and 4 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendation 2), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Mohammed Yonis, Deputy Joint Special Representative for Operations and Management, UNAMID  
Mr. Wolfgang Weiszegger, Acting Director of Mission Support, UNAMID  
Mr. Aamir Awan, Chief Budget Officer,  
Chairperson of the Local Committee on Contracts, UNAMID  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit  
Mr. Seth Adza, Audit Response Team, Department of Field Support  
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS  
Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

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## **EXECUTIVE SUMMARY**

### **Audit of the Local Committee on Contracts in UNAMID**

OIOS conducted an audit of the Local Committee on Contracts (LCC) in the African Union-United Nations Hybrid Operation in Darfur (UNAMID). The overall objective of the audit was to assess whether the procedures governing the LCC were in compliance with the UN Procurement Manual. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Generally, UNAMID's LCC operated in compliance with the UN Procurement Manual. However, the audit identified the following areas that need to be addressed:

- The Assistant Secretary-General, Office of Central Support Services and Director of the Procurement Division in Headquarters was not informed of the composition of or changes to the LCC membership.
- Some LCC members did not comply with the ST/SGB/2006/6 on financial disclosure and declaration of interest statements posing a risk of a conflict of interest situation.
- LCC meetings were held in the absence of both the chairperson and his alternate, questioning the validity of meetings held without a quorum.
- Contrary to the requirement in the UN Procurement Manual, the final minutes of LCC meetings were not distributed to all concerned officials/offices.

OIOS has made a number of recommendations to address the issues identified in the audit, and to further strengthen existing controls.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Local Committee on Contracts (LCC) in the African Union-United Nations Hybrid Operation in Darfur (UNAMID). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. Under a delegation of procurement authority of up to \$500,000 for non-core and \$1 million for core requirements, the Director of Mission Support (DMS) is authorized to establish an LCC and nominate its members. According to Section 2.5.1 (1) of the Procurement Manual, the LCC shall review and provide advice to the DMS or other officials duly authorized under Financial Rule 105.13, on whether proposed procurement actions are in accordance with the UN Financial Rules and Regulations (FRRs), Secretary-General's Bulletins (SGBs), Administrative Instructions (AIs) and related procurement policies.
3. From January 2008 to April 2009, the LCC reviewed 166 procurement cases (53 regular purchases and 97 core requirement, as well as 16 cases submitted to HCC), with a value totaling over \$131 million.
4. Comments made by UNAMID are shown in *italics*.

## II. AUDIT OBJECTIVES

5. The main objective of the audit was to assess whether the procedures governing the LCC were in compliance with the UN Procurement Manual.

## III. AUDIT SCOPE AND METHODOLOGY

6. The audit covered procurement transactions processed during the period from 1 January 2008 to 30 April 2009, and included reviews of the records maintained by the LCC and interviews with relevant Mission personnel. The criteria for the audit were based on the PM issued in June 2008 (Rev. 05).
  7. OIOS reviewed 31 out of 42 minutes of the LCC meetings held during the period under review. The minutes pertain to 110 cases (36 regular purchases, 66 core requirements and 8 cases submitted to the HCC) valued at over \$110 million. The scope of the audit did not include a review of the adequacy of the documentation presented to the LCC, or of the deliberations and subsequent decisions made.
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## **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

### **A. Communicating the LCC composition to all required parties**

8. According to Section 2.5.2 (3) of the PM, the Chairperson of the LCC and other members (including alternate officers) shall be nominated by the DMS and their names shall promptly be communicated for information purposes to the Assistant Secretary-General (ASG) of the Office of Central Support Services (OCSS), through the Under-Secretary-General (USG) of the Department of Field Support (DFS) and the Director, Procurement Division (PD).

9. From February 2009, correspondences were sent to the USG/DFS communicating the composition of the LCC. However, neither the ASG/OCSS, nor the Director, PD was informed of the composition. According to the LCC, this was an oversight and will be rectified.

#### **Recommendation 1**

**(1) The UNAMID Office of Mission Support should formally communicate to the Assistant Secretary-General of the Office of Central Support Services and the Director, Procurement Division the composition of the members of the Local Committee on Contracts in compliance with the Procurement Manual.**

10. *The UNAMID Management accepted recommendation 1 and stated that the revised composition is communicated whenever a member leaves the Mission. Based on the action taken, recommendation 1 has been closed.*

### **B. Non-compliance with financial disclosure requirements**

11. Section 2.1 (d) of ST/SGB/2006/06 requires that staff members who have direct access to confidential procurement or investment information must file Financial Disclosures and Declaration of Interest Statements with the UN Ethics Office (EO). The LCC members are covered by the Secretary-General's Bulletin, but not all members complied with the disclosure requirement. Five members were unaware of the filing requirement. Non-compliance with the disclosure requirement could hamper the timely detection and resolution of any actual or potential conflict of interest that could arise.

#### **Recommendation 2**

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**(2) The UNAMID Office of Mission Support should ensure that all members of the Local Committee on Contracts comply with ST/SGB/2006/6 regarding the submission of financial disclosure and declaration of interest statements.**

12. *The UNAMID Management accepted recommendation 2 and advised that members have fully complied with the requirement to file financial disclosures.* Based on Management's assurances that all relevant staff have complied, recommendation 2 has been closed.

### **C. Regularity and attendance at LCC meetings**

#### Attendance at the LCC meetings

13. According to Section 2.5.2 (2) of the PM, three members of the LCC (including the chairperson) shall constitute a quorum. OIOS reviewed 31 minutes of the LCC meetings and found that neither the chairperson nor his alternate was present at the meetings of the LCC held on 1 May and 4 May 2008.

14. OIOS was informed that the chairperson and his alternate were on rest and recuperation, (R&R) leave when the cases were presented. The absence of key members from the meetings of the LCC and lack of a quorum negatively impacts on the effectiveness of the LCC, and questions the validity of the meetings.

#### **Recommendation 3**

**(3) The UNAMID Office of Mission Support should ensure that key members of the Local Committee on Contracts are present at the LCC meetings. Consideration should be given to designating a second alternative chairperson in case both the chairperson and his/her alternate are away from the Mission area.**

15. *The UNAMID Management accepted recommendation 3 and advised that as the designated chairperson has left the Mission, a replacement is being sought together with an alternate.* Recommendation 3 remains open pending confirmation that steps have been taken by Management to ensure the LCC meetings are chaired by a designated chairperson or alternate.

#### Regularity of the LCC meetings

16. According to Section 12.1.6 of the PM, the LCC meetings shall meet at least once a week. However, from January to May 2008 only two LCC meetings were held and only three meetings on average were held each month during the rest of the year. Moreover regular meetings are necessary to ensure cases are dealt with in a timely manner.

#### **Recommendation 4**

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**(4) The UNAMID Office of Mission Support should ensure that the Local Committee on Contracts meets at least once a week to ensure cases are dealt with in a timely manner.**

17. *The UNAMID Management accepted recommendation 4 and advised that more regular meetings are held, and when the number of cases increases so does the frequency of the meetings.* Based on Management's assurances that the number of meetings has increased, recommendation 4 has been closed.

#### **D. Tracking system**

18. The LCC does not have an effective tracking system to enable follow-up of pending actions and recommendations made by procurement officers and requisitioners based on the LCC deliberations. Moreover, the Secretariat did not have a system to ensure that cases brought before the LCC included the required information and documents.

#### **Recommendation 5**

**(5) The UNAMID Office of Mission Support should implement a tracking system to effectively monitor the implementation of actions taken on its recommendations.**

19. *The UNAMID Management accepted recommendation 5 and advised that a tracking system had been implemented. The Secretariat keeps records of all minutes and provides feedback on the implementation of recommendations.* Recommendation 5 remains open pending verification of the established tracking system.

#### **E. LCC member training**

20. Section 2.5.1 of the PM stipulates that the LCC shall review and provide advice to the DMS/CMS or other officials duly authorized under Financial Rule 105.13, on whether proposed procurement actions, including contracts that generate income to the Organization, are in accordance with the FRR, SGBs, AIs, and procurement policies. The advice should point out whether the cases complied with the relevant FRRs, SGBs, AIs and other procurement policy documents. To fulfill this role, it is essential that LCC members are conversant with the UN procurement policies and procedures.

21. The Headquarters Committee on Contracts (HCC) conducted three training sessions in Brindisi (December 2008, March and June 2009) and one in El Fasher in May 2008 on the LCC's functions and procurement processes. Out of 25 members/alternates who served in the LCC during the period under review, six did not take these trainings. OIOS would encourage all members to attend the training.

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## **F. Distribution of LCC minutes**

22. Section 12.1.6 of the PM requires that within 10 business days after the conclusion of each LCC meeting, a copy of the approved meeting minutes should be distributed to the following officials:

- (a) ASG/OCSS, DMS/CMS or DOA/CAO;
- (b) Members of the HCC/LCC;
- (c) Director, UN/PD or CPO
- (d) Requisitioning offices; and
- (e) OIOS.

23. OIOS reviewed 31 out of 42 minutes related to the meetings of the LCC during the period from January 2008 to April 2009. In general, they were distributed in a timely manner, except for three cases. OIOS noted however that the final minutes were not distributed to the above officials/offices as required in the PM. UNAMID Management acknowledged that this was an oversight, and corrective action has been taken.

## **V. ACKNOWLEDGEMENT**

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

## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1.	The UNAMID Office of Mission Support should formally communicate to the Assistant Secretary-General of the Office of Central Support Services and the Director, Procurement Division the composition of the members of the Local Committee on Contracts in compliance with the Procurement Manual.	Governance	Medium	C	Action taken.	Implemented.
2.	The UNAMID Office of Mission Support should ensure that all members of the Local Committee on Contracts comply with ST/SGB/2006/6 regarding the submission of financial disclosure and declaration of interest statements.	Governance	High	C	Action taken.	Implemented.
3.	The UNAMID Office of Mission Support should ensure that key members of the Local Committee on Contracts are present at the LCC meetings. Consideration should be given to designating a second alternative chairperson in case both the chairperson and his/her alternate are away from the Mission area.	Compliance	Medium	O	Confirmation that steps have been taken by Management to ensure LCC meetings are chaired by a designated chairperson or alternate.	March 2010
4.	The UNAMID Office of Mission Support should ensure that the Local Committee on Contracts meets at least once a week to ensure cases are dealt with in a timely manner.	Compliance	Medium	C	Action taken.	Implemented.
5	The UNAMID Office of Mission Support should implement a tracking system to effectively monitor the implementation of actions taken on its recommendations.	Information Resources	Medium	O	Verification of the established tracking system.	February 2010

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1. C = closed, O = open
  2. Date provided by UNAMID in response to recommendations.