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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. Yury Fedotov, Director-General  
A: United Nations Office at Vienna (UNOV)

DATE: 27 January 2012

REFERENCE: IAD: 12- 00123

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

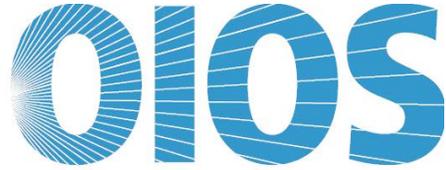


SUBJECT: **Assignment no. AE2011/321/01 - Audit of the UNOV contracts for furniture supplies**

OBJET: **Overall results relating to management of contracts for furniture supplies were satisfactory**

1. Attached please find the final report on the above-mentioned audit.

cc: Mr. Dennis Thatchaichawalit, Director, Division for Management, UNOV/UNODC  
Mr. Polinikis Sophocleous, Chief, Financial Resources Management Service, Division for Management, UNOV/UNODC  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Mr. Rohan Wijeratne, Board of Auditors  
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit  
Mr. Moses Bamuwamye, Executive Secretary, IAAC  
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Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS



Office of Internal Oversight Services

## INTERNAL AUDIT DIVISION

# AUDIT REPORT

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Audit of the UNOV contracts for  
furniture supplies

Overall results relating to management of  
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27 January 2012

Assignment No. AE2011/321/01

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# AUDIT REPORT

## Audit of the UNOV contracts for furniture supplies

### BACKGROUND

1. The United Nations Office at Vienna (UNOV) purchases furniture supplies through two contracts: one for tables, desks, drawers and other furniture (hereinafter referred to as “the contract for furniture”) and one for chairs (“the contract for chairs”). The contract for furniture, valued at €387,688 (\$570,049), was signed in 2008. UNOV decided to rely on the selection made by the United Nations Industrial Development Organization (UNIDO) and to work with the vendor, under the same conditions as UNIDO without going through its own bidding process. The contract for chairs, valued at €239,910 (\$336,901), was signed in 2009 following a bidding process conducted by UNOV. The UNOV General Support Section manages the contracts for furniture supplies.

### OBJECTIVE AND SCOPE

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 audit of the UNOV contracts for furniture supplies was conducted to assess the adequacy and effectiveness of UNOV governance, risk management and control processes in providing reasonable assurance regarding management of the contracts for furniture supplies.

4. The audit was included in the 2011 internal audit work plan for UNOV, as contract management was identified as high risk, and the UNOV contracts for furniture supplies had not been previously audited.

5. The key control tested for the audit was **regulatory framework**. For the purpose of this audit, OIOS defined this key control as controls that are designed to provide reasonable assurance that: i) regulatory instruments (i.e. applicable rules and regulations, policies and procedures, and contract provisions) exist; and ii) actions and decisions taken by the organization are in compliance with the regulatory instruments.

6. The key control was assessed for the control objectives shown in Table 1. Certain control objectives (shown in Table 1 as “Not applicable”) were not relevant to the scope defined for this audit.

7. OIOS conducted the audit from May to October 2011. The audit covered the period from 1 January 2008 to 30 April 2011.

8. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls 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 assess their effectiveness.

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## AUDIT RESULTS

9. In OIOS opinion, UNOV governance, risk management and control processes examined were **satisfactory** in providing reasonable assurance regarding management of the contracts for furniture supplies.

10. The overall rating is based on the assessment of the key control presented in Table 1 below. The overall procurement principles at the selection stage of the contracts were respected by UNOV. This involved price comparison, market research, invitation for bidding, as well as cooperation between the UNOV Procurement Section and the UNOV General Support Section as the requisitioner. Performance monitoring over the implementation of the contracts was also satisfactory.

**Table 1: Assessment of key controls**

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
<b>Management of the contracts for furniture supplies</b>	Regulatory framework	Satisfactory	Not applicable	Satisfactory	Satisfactory

### **Regulatory framework**

#### Solicitation and award was effective

Contract for furniture with SAMAS/Falco-Sopron Butor

11. The UNOV Procurement Section used the UNIDO bidding process for office furniture contract that resulted in an award to SAMAS (the company later became Falco-Sopron Butor). Prior to signing the contract with SAMAS, Procurement Section compared the furniture delivered by SAMAS to UNIDO with the ones UNOV was supplied with by its former vendor. In addition, the UNOV Procurement Section conducted a price comparison with the previous vendor and also compared the market prices for similar requirements. UNIDO had followed the requirements of the UN Procurement Manual for its own procurement of office furniture. Therefore, in OIOS opinion, UNOV decision to rely on UNIDO bid results was appropriate and efficient and resulted in economical procurement of furniture.

Contract for chairs with HALI Buromobel

12. UNOV followed the bidding process set out in the UN Procurement Manual and the lowest acceptable bidder was selected.

#### UNOV adequately monitored compliance with contract provisions

13. In accordance with the requirements of the UN Procurement Manual, Chapter 15, Section 1 on contract administration and management, UNOV adequately monitored the proper implementation of the contracts. In particular, the Procurement Section was in the process of negotiating a 3 per cent discount on furniture prices with Falco-Sopron Butor. This was in accordance with the provision concerning the contract price revision to be conducted on a yearly basis. Similarly, the contract with HALI Buromobel

foresees the possibility of a price revision. UNOV had requested HALI Buromobel to review the current prices for chairs.

#### **ACKNOWLEDGEMENT**

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

15. Management had no substantial comments on this audit.



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Ms. Fatoumata Ndiaye, Director  
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