



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of Local Committee on Contracts in UNMIL

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

FINAL OVERALL RATING: SATISFACTORY

28 December 2012

Assignment No. AP2012/626/06

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AUDIT REPORT

Audit of Local Committee on Contracts in UNMIL

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Local Committee on Contracts (LCC) in the United Nations Mission in Liberia (UNMIL).
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 UNMIL 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, comply with the United Nations Financial Regulations and Rules. LCC is responsible to review all procurement cases exceeding the \$75,000 delegation of authority of the UNMIL Chief Procurement Officer. Core requirements exceeding \$1 million and non-core requirements exceeding \$500,000 require further reviewed and endorsed by the Headquarters Committee on Contract (HCC).
4. LCC is comprised of the chairperson, one alternate chairperson, four members, four alternate members and three alternating secretaries. The Chief Procurement Officer and two procurement officers are ex-officio members. During 2010/11 and 2011/12, LCC met 57 times and reviewed 122 procurement cases totaling \$67 million including eight ex post facto cases.
5. Comments provided by UNMIL are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the UNMIL governance, risk management and control processes in providing reasonable assurance regarding the **effective functioning of the LCC**.
7. The audit was included in the OIOS 2012 risk-based work plan due to the importance of LCC in the procurement process.
8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as controls that provide reasonable assurance that policies and procedures: (i) exist to guide the LCC members; (ii) are implemented consistently; and (iii) ensure the 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 the audit in September and October 2012. The audit covered the period from 1 July 2010 to 30 June 2012.
11. 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 determine their effectiveness.

III. AUDIT RESULTS

12. UNMIL 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 three recommendations to address issues identified by the audit. Minutes of LCC meetings were approved and distributed to concerned parties as required. On two occasions, the alternate chairperson of the LCC performed the two incompatible functions of the chairperson of the Tender Opening Committee (TOC) and chairperson of the LCC. LCC membership was drawn from appropriate functions; however, it included categories of staff that were ineligible for membership. Documentation submitted by the Procurement Section was not always sufficient to allow the LCC to make well-informed decisions, and there was a need to implement procedures to reduce the number of ex-post facto cases.

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

Business objective	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 in UNMIL	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: SATISFACTORY					

A. Regulatory framework

The composition of the LCC was being revised

14. As required, LCC membership included staff from appropriate functions that were appointed by the DMS, the list of which was communicated to the Assistant Secretary-General, Office of Central Support Services. However, on two occasions, the alternate chairperson of the LCC performed the two incompatible functions of the chairperson of the Tender Opening Committee (TOC) and chairperson of the LCC. Additionally, the LCC membership included two staff at the FS-4 level contrary to the requirement for a minimum of FS-6. One of the alternate secretaries was a United Nations volunteer although this category of staff is ineligible for membership in the LCC.

15. A Field Assessment Mission (FAM) was conducted by the Departments of Field Support and Management in April 2012, and recommended that the composition of the LCC be revised to ensure its membership complies with the Procurement Manual and to avoid future conflict of interest situations. UNMIL advised that the FAM recommendation would be fully implemented by 31 December 2012. OIOS is satisfied with the action being taken by UNMIL in this regard.

Documentation of procurement cases by the Procurement Section should be improved

16. In 25 of 75 procurement cases reviewed, the information provided by the Procurement Section was insufficient to allow the LCC make informed decisions in a timely manner. For example, presentations: (a) lacked source selection plans, copies of lessors' legal title to properties, and property inspection reports; and (b) evidence of competitive bidding such as technical evaluations and price comparisons schedules. As a result, the LCC had to request for additional information and clarification, creating delays in reviewing and approving procurement cases. It also created risks that the LCC would endorse cases that were not adequately justified.

(1) UNMIL should ensure that the Procurement Section provides adequate and complete information to the Local Committee on Contracts to improve meeting deliberations and ensure that cases are completed in a timely manner.

UNMIL accepted recommendation 1 and stated that the Procurement Section prepared all procurement cases through the electronic Committee on Contracts (eCC) System, which requires attachments such as abstracts of bids, technical evaluation, source selection plan, list of invitees, etc. Based on the action taken by UNMIL, which was effective 15 November 2012, recommendation 1 has been closed.

The processing of ex post facto cases should be improved

17. The LCC recommended eight ex-post facto procurement cases totaling \$1.069 million for approval by the DMS. Ex-post facto cases were mainly due to inadequate monitoring of contract expiry dates and NTE amounts, poor procurement planning, and inadequate communication between requisitioners and the Procurement Section. In four cases totaling \$710,000, services were incurred beyond the approved NTE. Four other procurement cases totaling \$359,000 related to lease agreements that had expired.

(2) UNMIL should implement appropriate procedures to reduce the number of ex-post facto cases including improved monitoring of contract expiry dates and Not-to-Exceed amounts.

UNMIL accepted recommendation 2 and stated that the contract expiry dates and NTE amounts are being monitored through bi-weekly meetings with self-accounting units. Contacts are tracked six months prior to their expiry dates. Based on the action taken by UNMIL, which was effective September 2012, recommendation 2 has been closed.

The electronic Committee on Contracts System should be implemented

18. UNMIL had not implemented the eCC System to facilitate the tracking of contracts submitted to the LCC and HCC. As a result, the LCC Secretary used an Excel spreadsheet, which was not adequate to track recommendations of LCC and ex post facto cases.

(3) UNMIL should implement the electronic Committee on Contracts system to improve the tracking of procurement cases by the Local Committee on Contracts.

UNMIL accepted recommendation 3 and stated that since January 2011, procurement cases have been processed through the eCC system. However, there had been technical problems and lack of training, segregation of approved levels and clear terms of reference for administrators, focal point and DMS. UNMIL also advised that staff members involved in the implementation of eCC will be trained during the first quarter of 2013. OIOS verified that on 5 December 2012, LCC members

were granted access to the eCC system, and the United Nations Logistics Base was providing assistance to address technical problems identified by the mission. Based on the action taken by UNMIL, recommendation 3 has been closed.

IV. ACKNOWLEDGEMENT

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



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STATUS OF AUDIT RECOMMENDATIONS
Audit of Local Committee on Contracts in UNMIL

Recom. no.	Recommendation	Critical/ Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNMIL should ensure that the Procurement Section provides adequate and complete information to the Local Committee on Contracts to improve meeting deliberations and ensure that cases are completed in a timely manner.	Important	C	Actions taken	15 November 2012
2	UNMIL should implement appropriate procedures to reduce the number of ex-post facto cases including improved monitoring of contract expiry dates and Not-to-Exceed amounts.	Important	C	Actions taken	September 2012
3	UNMIL should implement the electronic Committee on Contracts system to improve the tracking of procurement cases by the Local Committee on Contracts.	Important	C	Actions taken	5 December 2012

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 [client] in response to recommendations. [Insert "Implemented" where recommendation is closed; (implementation date) given by the client.]