

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Mr. Alan Doss
A: Special Representative of the Secretary-General
MONUC

DATE: 9 June 2008

REFERENCE: IAD: 08- 01400

for *William Petersen*
FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AP2007/620/17 - Audit of the Local Committee on Contracts of the United Nations**
OBJET: **Mission in the Democratic Republic of Congo (MONUC)**

1. I am pleased to present the report on the above-mentioned audit which was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Based on your comments, we are pleased to inform you that we will close recommendation 3 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, in its annual report to the General Assembly and semi-annual report to the Secretary-General.

I. INTRODUCTION

4. The Office of Internal Oversight Services (OIOS) conducted an audit the Local Committee on Contracts (LCC) of MONUC in October 2007.

5. According to Section 2.5.1.(1) of the Procurement Manual (PM), the LCC shall review and provide advice to the Chief of Mission Support, 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 Financial Regulations and Rules (FRRs), Secretary-General's Bulletins (SGBs), Administrative Instructions (AIs) and other procurement policies.

II. AUDIT OBJECTIVES

6. The major objective of the audit was to assess the effectiveness of the LCC as an internal control. Specifically, the audit assessed whether:

-
- (a) The composition of the LCC allows it to function independently and competently;
 - (b) The LCC is receiving relevant documents needed to properly review procurement actions and;
 - (c) The LCC is effectively identifying procurement issues that violate the relevant FRRs, SGBs, AIs and other procurement policies on the fairness, integrity and transparency of proposed procurement actions.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered procurement transactions processed in fiscal year 2006/07, and included a review of available documents, analytical tests and interviews with relevant Mission personnel. OIOS reviewed the minutes of 24 of the 27 LCC meetings held during the year and all 10 non-core procurement case files. OIOS covered procurement cases related to core requirements in a separate audit of the execution of the delegation of authority to MONUC to procure core requirements.¹ The provisions of the PM issued August 2006 (Rev 003) were used as the criteria for this assignment.

IV. OVERALL ASSESSMENT

8. In OIOS' view the LCC generally served as an effective procurement control. However, opportunities for improvement were noted. For instance, the Officer-in-Charge (OIC) of Mission Support, an Alternate Chairperson of the LCC, had not been formally designated to exercise the delegation of procurement authority; a tracking mechanism had not been established to follow-up on pending procurement cases; and there was not full compliance with ST/SGB/2006/6, Financial Disclosure and Declaration of Interest Statements.

V. AUDIT FINDINGS AND RECOMMENDATIONS

A. Compliance with delegation of procurement authority

Communication of LCC member's names

9. Paragraph 13 of the Delegation of Procurement Authority under the Financial Regulations and Rules of the United Nations, dated 21 November 2006, stipulates that the Chairperson of the LCC, its members and alternates shall be appointed by the Director of Mission Support (DMS) or authorized delegate. Their names and any changes in the membership should be promptly communicated to the Assistant-Secretary General of the Office of Central Support Services (OCSS) and to the Chairperson of the HCC for monitoring and compliance.

10. The names of the LCC members were not communicated. The MONUC Administration explained they were waiting for the arrival of the Chief Finance Officer to

¹ Core requirements are essential goods and services which lend themselves to local procurement (e.g. fresh food, waste disposal services, potable water supply, etc.). Non-core requirements are all other goods and services.

the Mission, who was nominated as Chairman of the LCC, prior to communicating the names.

Recommendation 1

(1) The MONUC Administration should ensure that the names of current and future Local Committee on Contracts members be communicated timely to the Assistant-Secretary General of the Office of Central Support Services and to the Chairperson of the Headquarter Committee on Contracts.

11. *The MONUC Administration accepted recommendation 1 and stated that changes in the membership on the Local Committee on Contract will be promptly communicated to UNHQ.* Recommendation 1 remains open pending submission to OIOS of evidence of communication of the LCC member names to the UNHQ.

Non-compliance with the provisions of the delegation of procurement authority

12. Paragraphs 2 to 4 of the Delegation of Procurement Authority specifies that the delegation to the DMS is personal and not by virtue of office. The DMS may designate an alternate to exercise the authority vested in him/her. However, the assignment of an alternate must be in writing with a signed copy promptly provided to the AssistantSecretary-General of OCSS.

13. The OIC of Mission Support approved LCC minutes (#2007/6A & #2007/6B), which led to the procurement of services, without the proper delegation as an alternate to the DMS. MONUC management was of the opinion that a memorandum sent by the DMS appointing an OIC was sufficient and inclusive of all the responsibilities of the functions of the DMS. In OIOS' view, however, since the delegation of procurement authority is personal and not by virtue of office, the OIC of Mission Support did not have the proper authority to approve LCC recommendations for procurement.

Recommendation 2:

(2) The MONUC Administration should ensure that the Officer-in-Charge for Mission Support has been properly designated as an alternate to the Local Committee on Contracts before approving any meeting minutes.

14. *The MONUC Administration accepted recommendation 2 and indicated that it would be implemented immediately.* Recommendation 2 remains open pending receipt of evidence of delegation of procurement authority to the Officer in Charge of Mission Support as an alternate LCC member.

B. Tracking of pending cases

15. The LCC recordkeeping mechanism should consist of an effective tracking system to enable follow-up of pending actions by procurement officers or requisitioners based on LCC deliberations and issues raised by the DMS before he/she approves the LCC

recommendations. There was no formal tracking system or mechanism to ensure that pending actions are adequately followed-up.

16. Furthermore, the HCC minutes on relevant cases were not forwarded to the LCC members for information, lessons learned and filing. OIOS noticed that the HCC minutes were sent by e-mail to the Procurement Section but not formally sent to the office of the DMS for distribution to LCC members and other concerned parties.

Recommendation 3

(3) The MONUC Administration should ensure that the Local Committee on Contracts (LCC) Secretary establishes a tracking mechanism to follow-up on pending procurement cases, and ensure that all relevant comments from the Headquarter Committee on Controls are disseminated to LCC members for lessons learned and filing purposes.

17. *The MONUC Administration accepted recommendation 3 and stated that MONUC LCC now maintains a spreadsheet with key information on presentations to HCC such as case number, vendor, requirement amount, contract duration, and the status of each case. Procurement Section now notifies LCC of HCC decisions, and LCC now lists this as an agenda item. A sample spreadsheet, memorandum from CPO, and agenda for LCC Meeting were provided to OIOS. Based on the action taken by MONUC Administration, recommendation 3 has been closed.*

C. Compliance with financial disclosure requirement

18. LCC members are required to make financial disclosures as per Section 2.1.(d) of ST/SGB/2006/6, Financial Disclosure and Declaration of Interest Statements. However, not all LCC members or alternates filed a financial disclosure form with the United Nations Ethics Office. This may have occurred because the listing of members was not regularly updated and consequently new committee members were not informed of their obligation to file.

19. Non-submission of updated lists of LCC members could result in non-compliance with disclosure requirements and could hamper the timely detection and resolution of any actual or potential financial conflict of interest that might arise.

Recommendation 4

(4) The MONUC Administration should ensure that all members of the Local Committee on Contracts comply with ST/SGB/2006/6, Financial Disclosure and Declaration of Interest Statements.

20. *The MONUC Administration accepted recommendation 4 and stated that all LCC members have been added to the list of staff required to file financial disclosures. Recommendation 4 remains open pending confirmation that all LCC members have complied with the financial disclosure requirement.*

D. LCC operations

21 During the 2006/07 fiscal year, the LCC held 27 meetings and deliberated on procurement cases totaling \$11.3 million. OIOS reviewed the minutes of 10 non-core procurement cases totaling \$3.2 million, representing 28 per cent of the value of procurement cases presented to the LCC.

22. OIOS' analysis showed that the financial threshold delegated to the Mission was adhered to and the submissions contained pertinent information for LCC members to arrive at informed decisions on the proposed procurement action. LCC deliberations were properly recorded and the Procurement Section responded to LCC queries.

E. Compliance with Minimum Operating Security Standards

23. OIOS reviewed all of the minutes of the seven cases relating to property leases or renewal of leases. Of the seven cases, four pertained to the renewal of leases for the military, which do not require Minimum Operating Security Standards (MOSS) compliance as troops are not included in the MONUC security and evacuation plan.

24. For the remaining three cases, which were lease extensions, there was no evidence of required MOSS compliance in case files. However, OIOS noted that starting in September 2007, the LCC meeting minutes and the procurement case presentations included a paragraph showing evidence of MOSS compliance in-line with LCC/HCC requests that all lease extensions are subject to a renewed MOSS compliance assessment where applicable.

VI. ACKNOWLEDGEMENT

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

cc:

Mr. Amadu Kamara, Chief, of Mission Support, MONUC
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS

CONTACT INFORMATION:

DIRECTOR:

Dagfinn Knutsen, Tel: +1.212.963.5650, Fax: +1.212.963.2185,
e-mail: knutsen2@un.org

DEPUTY DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, PEACE KEEPING AUDIT SERVICE:

Eleanor T. Burns: Tel: +1.212.967.2792, Fax: +1.212.963.33398,
e-mail: burnse@un.org

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	O	MONUC Administration should provide supporting evidence of communication of the LCC member names to the UNHQ.	Not provided
2	O	MONUC Administration should submit evidence of delegation of procurement authority as alternate to Local Committee on Contracts for the Officers in Charge of Mission Support.	Not provided
3	C	Recommendation is closed.	Implemented
4	O	MONUC Administration to provide supporting evidence indicating all LCC members have complied with the financial disclosure requirement.	Not provided

1. C = closed, O = open

2. Date provided by [client] in response to recommendations. [