

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

UNHCR procurement activities in Khartoum and East Sudan

**Weak risk management and internal controls
affected the efficiency of procurement functions
in the UNHCR Representation Office, Khartoum**

18 June 2009

Assignment No. AR2008/115/02

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

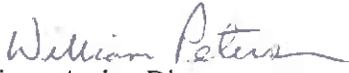
MEMORANDUM INTERIEUR

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

TO Mr. António Guterres, High Commissioner
A United Nations High Commissioner for Refugees

DATE 18 June 2009

REFERENCE IAD: 09-02569

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

SUBJECT **Assignment No. AR2008/115/02 - Audit of UNHCR Procurement activities in Khartoum and**
OBJET **East Sudan**

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, 4, 5, 6, 12, 14 and 15 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., recommendations 2, 7, 9, 10 and 16) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR
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INTERNAL AUDIT DIVISION

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 UNHCR procurement activities in Khartoum and East Sudan

The Office of Internal Oversight Services (OIOS) conducted an audit of UNHCR procurement activities in Khartoum and East Sudan. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls and the scope for improving efficiency and economy in the procurement activities. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Overall, the audit found that the internal control system needed to be significantly improved to ensure that procurement activities are carried out economically, efficiently and effectively, and in compliance with applicable rules, regulations and policies. UNHCR generally agreed with the concerns raised by OIOS and had initiated actions to address the weaknesses. The major audit findings were as follows:

The Supply Unit in the UNHCR Representation Office, Khartoum (ROK) supported the Sudan operations with its supply management actions. However, individual lapses led to major breaches of controls. For example, in East Sudan, control weaknesses and mismanagement of purchase actions and construction contracts created risks of financial loss and fraud and in Khartoum significant excess payment over approved amounts were made to a contractor as contract oversight function failed. In the face of these events, management was not always clear on how to translate its concerns into action. As a result, accountability for individual lapses and mismanagement were not established. Inter-relational issues in the procurement functions in ROK were strained but were not addressed timely by management.

Weak leadership in the supply team in ROK, failure in risk management by senior management and lack of an overall strategic approach adversely affected the efficiency and cost effectiveness of the procurement function. Weak internal reporting and monitoring of key control areas in the Supply Unit increased the risk of inefficiency.

Significant weaknesses and inadequate oversight in contract management exposed ROK to financial and operational risks. The Local Committee on Contracts (LCC) did not always operate efficiently and in compliance with UNHCR rules.

Processing of suppliers' invoices needed monitoring and common omissions in invoices increased risk of fraud and error.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of procurement activities in the United Nations High Commissioner for Refugees (UNHCR) operations in Khartoum and East Sudan. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The Supply Unit in the UNHCR Representation Office, Khartoum (ROK) makes local procurement of goods and services for ROK and sub-offices in East Sudan (Es Shawak), Blue Nile (Damazine) and Darfur, and also occasionally for the sub-office in South Sudan. The Supply Unit headed by a Senior Supply Officer reports to the Assistant Representative (Operations) who in turn reports to the Deputy Representative (Operations). There is a Local Committee on Contracts (LCC) at ROK and another LCC has been established for South Sudan. The sub-offices in Darfur and South Sudan have designated procurement officers.

3. Since the roll-out of the Management System Renewal Project (MSRP) in mid-2007, purchase orders (PO) for goods and services are processed online from the requisition to the payment of invoices. Purchases of services and utilities and small value purchases (below \$2,000) are made on a non-PO basis and paid through the MSRP payment cycle. Major items of local procurement in ROK were fuel, transport services, travel, pouch services, generators, construction works and utilities.

4. The value of POs issued in Sudan from July 2007 to June 2008 was approximately \$5.8 million. Of these, \$2.5 million related to 2007 and \$3.3 million to 2008. Of all the POs issued in this period, Khartoum, Es Shawak and Darfur accounted for 25.3 per cent.

5. Comments made by UNHCR are shown in *italics*.

II. AUDIT OBJECTIVES

6. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls and the scope for improving economy and efficiency in the procurement activities. Specifically, the audit:

- (a) Assessed the effectiveness of the governance and risk management process over procurement;
 - (b) Identified opportunities for cost-savings and efficiency improvements in procurement activities;
 - (c) Reviewed the compliance of procurement activities with applicable rules, regulations and policies.
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III. AUDIT SCOPE AND METHODOLOGY

7. OIOS reviewed the local procurement systems and practices in Khartoum and East Sudan from the time MSRP was implemented in July 2007 until June 2008. However, where necessary, cases after this period were also reviewed. Priority was given to the audit of transactions in 2008 where possible. The audit fieldwork took place between September and November 2008.

8. The audit criteria used included the financial regulations and procurement rules, the Financial Internal Control Framework and the Budgetary Internal Control Framework of UNHCR.

9. OIOS conducted interviews of selected staff, undertook field inspections of locations and offices, tested samples of transactions, and reviewed related records and documents.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Strategic management and governance, including risk management, in procurement activities

Weak strategic approach in procurement management

10. Though direct implementation of the programme relies on supply management, the UNHCR Sudan Country Operation Plan (COP) 2008-2009 discussed strategic issues in programme management without reference to supply management issues. OIOS noticed that a strategic approach could improve economy and efficiency in procurement of goods and services and their delivery to field offices in the following areas:

- An annual plan for local procurement would be a strategic response to the requirement for a more competitive process, cost savings and coordinated supply and delivery;
- Frame agreements and bulk orders for frequently purchased goods and services could improve competition, reduce cost and provide economies of scale; and
- Pre-qualification of vendors would provide quality assurance for services in transportation and construction works and reduce cost of bidding. The information sought from potential bidders for pre-qualification in July 2008 was not followed through due to lack of prioritization.

Recommendation 1

(1) The UNHCR Representation Office, Khartoum should define the strategic goals of procurement activities for 2009 and also for the Country Operation Plan for 2010-2011 and ensure that these goals are met through appropriate action.

11. *The UNHCR Representation Office, Khartoum accepted recommendation 1 and stated that the following strategic goals of procurement activities have been set for 2009 and also for the Country Operations Plan (COP) for 2010-2011 (a) early planning for international procurement and (b) establishment of longer-term agreements for frequently purchased goods and services. These are implemented by way of: international sourcing of goods since the first half of 2009 and consistent liaison with internal clients (Administration, Programme, Sub- and Field Offices) to provide requests and budget activities including timely requisitions; improvement in the delivery of internationally sourced goods (non-food items, vehicles, consumables, etc.) to the field locations (with the exception of Darfur) without passing through Khartoum; longer term agreements for the repair and maintenance of ROK vehicle fleet with the Toyota dealer and for land and air-transportation contracts and office-service agreements. Moreover, efforts are underway to procure recurrent local supplies under framework agreements. Based on the action taken by UNHCR, recommendation 1 has been closed.*

Critical risks in procurement not systematically identified and managed

12. Effective risk management anticipates potential risks and takes steps to manage them and minimise unexpected occurrences. In order to translate senior management's concerns into action, a robust reporting system to gather relevant information needed to be developed in ROK. Reporting facilities of MSRP were not leveraged to obtain systematic reports on key risk areas and main trends. In their absence, risk management in procurement was ineffective and fire fighting was necessary to cope with unexpected occurrences

13. The audit identified the following cases illustrating weaknesses in risk management:

- Redundant purchases of medicines and lack of preparedness to organize transportation of medicines needing cold chain arrangements due to uncoordinated actions and breach of established controls;
- Unplanned payments beyond the approved contract value in road transport services and in fuel purchase contracts due to errors in contract formulation, and failures in contract management and budget control;
- Non-use of budgeted funds reserved through POs and additional funds specifically allocated for meeting security needs of ROK respectively due to errors in preparation of vouchers and an inappropriate procurement strategy;

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- Duplication of contracts for the same service and overlap between two ROK Units in procuring a routine service like office maintenance due to uncoordinated action and weak inter-sectional cooperation;
 - Financial loss and inefficiency in construction of leased office building in Kassala due to disregard of established procedures, errors in contract formulation and non-transparent procurement practice; and
 - Potential disputes over payment of invoices due to payments made to entities/persons other than the contractors and suppliers without proper authority to do so.

14. While the audit was still ongoing, the Supply Unit prepared a year-end performance report for 2008 for supply management in ROK. This provided an opportunity for review of the lessons learnt and the risk areas in supply management on a retrospective basis.

Recommendation 2

(2) The UNHCR Representation Office, Khartoum should develop a mechanism for identifying and monitoring critical risks in procurement management. To support risk management, reporting facilities in Management System Renewal Project (MSRP) should be used to monitor and analyse trends and high risk areas in administrative and project purchases.

15. *The UNHCR Representation Office, Khartoum accepted recommendation 2 and stated that MSRP is being used to monitor and analyze trends and high risk areas in administrative and project purchases to avoid unplanned payment beyond the approved contract. In addition, to supplement MSRP monitoring facilities, an internally developed excel monitoring system has been introduced. Furthermore, contracts are formulated by incorporating ceiling amounts for payment terms in line with the annual budget for such activity (e.g., major contracts, such as general non-food items and non-expendable property, transport services, repair and maintenance services for light vehicle fleet, refugee transportation services, refugee accommodation, and pharmacy services for refugees). For duplication of contracts there is a clear responsibility, in terms of handling contracts, between Admin and Supply Units that contract values that are higher than \$2,000 are sourced by the Supply Unit as per earlier decision by management. To meet the lack of keep-cool apparatus in warehouses, in May 2009 a refrigerator (400 litres) and three cool boxes were made available to the Khartoum warehouse and backup generators were being sought for the said warehouse. Recommendation 2 remains open pending receipt of a documented policy on procurement risk management in the UNHCR Operations in Sudan.*

Organizational and leadership weaknesses affected procurement management

16. The complexity of supply management in the UNHCR Sudan operations requires leadership from a Senior Professional Officer. However, in 2007 and 2008, the Supply Unit in ROK was managed by a relatively junior level officer and after July 2008 an Associate Supply Officer worked as Officer in Charge until the end of the year without formal authority. Consequently, the supply function suffered from the lack of a strategic approach, inadequate risk management and weak coordination with other units and sections. Although a Senior Supply Officer (P-4) was reassigned to ROK in 2008 he was not available until January 2009 due to operational reasons.

17. Professional staff whose responsibilities included purchase actions (such as a Senior Administrative Officer, a Senior Programme Officer, a Supply Officer, a Senior Protection Officer, as well as other officers) did not leave handover notes upon their reassignment from ROK to brief their successors about the challenges and priorities in their functions. Thus, accountability and smooth transition were neglected.

Recommendation 3

(3) The UNHCR Representation Office, Khartoum should make the end of assignment handover note a mandatory exit formality for all Unit and Section chiefs.

18. *The UNHCR Representation Office, Khartoum accepted recommendation 3 and stated that handover notes are routinely provided by all staff members in UNHCR Sudan prior to departure on reassignment or completion of service. However, there have been instances where staff members have failed to comply. Management will continue to remind staff members of this responsibility.* Recommendation 3 remains open pending receipt of written instructions issued by the Representative to staff to provide handover notes prior to departure on reassignment or completion of service.

B. Operational management

Failure to ensure adequate budget checks for a high value contract resulted in payment of \$320,884 beyond contract value

19. UNHCR's Financial Internal Control Framework provides that, except for specific cases, purchase of high value goods and services should be processed as POs. This ensures online budget control in MSRP for high value purchases. However, high value service contracts in ROK were processed as non-PO transactions without correspondingly strengthening manual budget checks to mitigate the risk of payments beyond the contract value. In an extreme case, \$320,884 was paid beyond contract value for land transport of Non Food Items (NFI) to Darfur. (This case has been discussed in paragraphs 54-57). Upon the matter being raised during the audit, the Supply Unit sought clarification from

UNHCR Headquarters in December 2008 about the modality of treating the contracts as POs.

Recommendation 4

(4) The UNHCR Representation Office, Khartoum should ensure online budget checks for high value service contracts, in order to minimize the risk of expenditure beyond approved contract value. In cases when this is not feasible, manual controls in all concerned Sections should be enhanced to mitigate this risk.

20. *The UNHCR Representation Office, Khartoum accepted recommendation 4 and stated that the MSRP ensures online budget checks for all contracts which have value through the three-way matching system. MSRP monitoring and manual controls have been improved, as explained in paragraph 15. Based on UNHCR's response, recommendation 4 has been closed.*

Written procedures, internal monitoring and training were needed for the Supply Unit

21. The Supply Unit did not have written procedures for several important and complex activities. This weakened accountability for deviations and delays affected the reporting, monitoring and tracking of key activities like invoice processing, obtaining government exemption for import duty, shipping and customs clearance of imported goods, and requests for land transport of warehoused items. Internal monitoring needed strengthening in the follow up on Invitations to Bid (ITB) / Requests for Quotation (RFQ), and timely tabulation of offers for selecting vendors. Written procedures would facilitate updating and training of staff and use of computers in registering invoices would facilitate systematic reporting and monitoring.

22. The general support staff in Supply, Programme and Administration Units needed training to update their knowledge in UNHCR policies and procedures in supply management and in MSRP control activities and procedures.

Recommendation 5

(5) The UNHCR Representation Office, Khartoum should ensure that the Supply Unit develops written procedures for key internal activities for better internal monitoring and control, and that local support staff is provided refresher training in supply management activities and Management System Renewal Project controls.

23. *The UNHCR Representation Office, Khartoum accepted recommendation 5 and stated that the roles and functions within the Supply Unit are in place to complement what is already in place in the Delegation of Authority Plan (DOAP). Regular training and refresher courses are also in*

place. In March 2009, a four day MSRP refresher training was organized for four Sub-Office Kassala's staff (three supply and one non-supply staff members) and for two ROK supply staff. During the first week of May 2009, several supply staff members from Juba were brought to Khartoum for a four-day MSRP training with ROK's Supply Unit. Based on the action taken by UNHCR, recommendation 5 has been closed.

Online vendor database not optimally utilized

24. Following the roll-out of MSRP, an online vendor database was created in 2007. The online vendor database for POs was not systematically updated and in October 2008 it had only one vendor name for nearly half of the commodities and five or more vendor names for only six per cent of the commodities. The local support staff were relying mainly on an existing Excel list of vendors and other sources for inviting bids instead of using the system. In several cases, names of registered vendors in the system were different from the names of the companies or individuals who were awarded the order or contract. This could lead to payments to wrong suppliers.

25. To remedy these weaknesses, UNHCR Headquarters suggested setting up of a vendor review committee in the UNHCR field offices in March 2008. However, management in ROK is yet to establish a Vendor Review Committee.

Recommendation 6

(6) The UNHCR Representation Office, Khartoum should update the online vendor database and expand its use, ensure correct uploading of names and details of the vendors in the database, and set up a Vendor Review Committee.

26. *The UNHCR Representation Office, Khartoum accepted recommendation 6 and stated that the vendor database in ROK is being regularly updated to reflect changing needs and developments. Approximately 30 new vendors have been registered since March 2009. Market surveys are periodically conducted to locate suitable vendors. In the MSRP, vendor lists are created, updated and approved as a basic requirement. Supply Unit, in collaboration with the user units, assesses the supply base, identifies vendors, and registers them. A vendor approver entity approves vendors. According to ROK, the risk factor in this area is minimal. ROK therefore felt that the creation of a Vendor Review Committee is unnecessary, as this is a function to be performed by the Supply Unit. Based on the action taken and explanations given by UNHCR, recommendation 6 has been closed.*

Contract management was inefficient due to weak internal control

27. Contracts in ROK were not managed efficiently due to the disregard of internal controls, lack of inter-sectional coordination and weak accountability. Absence of formal distribution of responsibilities among the Sections and Units in ROK for management of contracts led to overlap and parallel ordering and lack of monitoring of the validity of commercial and service contracts. As a

result, the Local Committee on Contracts (LCC), which approves all contracts in relation to the purchase, rental or sale of goods and services entered into with one single vendor that are equal to or greater than US\$ 20,000 up to US\$ 150,000, had to routinely give ex-post facto approval for extension of contracts, months after their expiry. In a typical case of overlap, the Supply Unit issued a new contract for office maintenance for 2008 while the Administration Unit awarded extension to an existing contract for the same services to the same contractor for the same period.

28. Budget control for service and commercial contracts was weak. For example, ROK paid approximately \$15,000 above the contract value for supply of fuel without the approval of the LCC. In a contract for road transport of Non Food Items (NFI) to Darfur, \$470,884 was paid against the approved ceiling of contract value of \$150,000 without LCC approval. The former case was approved by the LCC and the latter case was approved by the Committee of Contracts at Headquarters (CoC) ex-post facto.

29. There was no bidding and formal contracts or LCC approval for high value purchase of utilities and services like power and telecom services, shipping and clearance services, pouch services, travel services, or vehicle maintenance services. Fresh bidding, bulk purchases or frame agreements for some of these cases would have been necessary.

30. Other control weaknesses in contract management included the absence of the identifying number for some contracts, non availability of soft copies of contracts, release of payments to contractors without verification of satisfactory completion of work, and failure to pre-qualify the vendors for specific services.

Recommendation 7

(7) The UNHCR Representation Office, Khartoum should improve critical controls in contract management by:
(a) formal division of responsibility between various Sections and Units for the management of contracts; (b) strengthened monitoring of the expenditure and validity of contracts; and
(c) enlisting pre-qualified contractors on a priority basis.

31. *The UNHCR Administration accepted recommendation 7 and stated that:*

(a) Current contract processes are streamlined, as follows: Users seek and request a service provider for a particular activity; such requests are directed to the Supply Unit; the Supply Unit sends out Invitations to Bid (ITB) based on the scope of work or service level agreement (SLA) demanded; contractors are selected in consultation with user units; contract writing and award are carried out by the Supply Unit in consultation with users; contract management as per SLA is done by the user unit; feedback required on contractor performance is a routine procedure.

(b) *Strengthening monitoring of the expenditure and validity of contracts is an on-going procedure done by both the Supply and Finance Unit.*

(c) *Enlisting of pre-qualified contractors is an on-going activity.*

32. Recommendation 7 remains open pending receipt of a copy of a written instruction issued by the Representative to the section chiefs reiterating their respective responsibilities for contract management, including monitoring payments for contracts and avoiding issue of duplicate contracts for the same services/goods.

Recent improvements in the functioning of the LCC need to be sustained

33. OIOS observed significant scope for improvement in the functioning of the LCC in ROK and South Sudan, allowing for more efficient oversight of contract management. The Senior Administrative Officer was not made the second Alternate Chairperson of the LCCs as required.

34. LCC minutes often recorded decisions in a confusing manner as they did not clearly mention what was being ordered, or the potential value of the order, and the name of the vendor selected by the LCC. This increased the risk of error in PO or contract terms prepared on the basis of LCC decisions.

35. The signing of LCC minutes was routinely delayed in ROK, for up to a year in some cases. This was mainly due to delays in the preparation of draft minutes and revisions. The Supply Unit took action in such cases based on technically unapproved decisions of the LCC. Due to insufficient tender procedure and deficient information in the submission of proposals from East Sudan, the LCC in ROK postponed decisions, sometimes repeatedly.

36. Frequent changes of the Secretary of the LCC increased the risk of inconsistent practice and loss of institutional memory. As a result, minutes of the LCC meetings were not always sent to the Secretary of the CoC and records of the LCC were not properly filed for some meetings. New members and Secretaries of LCC needed to be systematically briefed on LCC rules and procedures.

37. OIOS noted that the management took action to address these problems. Since July 2008, the quality of submission of cases to LCC and the format and presentation of minutes and recording of decisions by the Chairperson did improve. The Assistant Representative (Administration) was made the second Alternate Chairperson. These improvements need to be sustained and also implemented in South Sudan.

Recommendation 8

(8) The UNHCR Representation Office, Khartoum should ensure that the new members and secretaries of the Local Committee on Contracts (LCC) are systematically

briefed on their responsibilities. In addition, the secretaries of the LCC should regularly send minutes of all LCC meetings to UNHCR Headquarters and properly file the minutes.

38. *The UNHCR Representation Office, Khartoum accepted recommendation 8 and stated that the submission of documents to the LCC by ROK's Supply Unit has improved since 2008. Systematic briefing of new members and secretaries of LCC is an existing practice. It was further noted that most members of the LCC have previous experience in acting as members of such committees. Recommendation 8 remains open pending receipt of evidence that LCC minutes are sent by the LCC Secretary to the UNHCR Headquarters.*

Mismanagement of contracts in Sub-Office Es Shawak

39. Sub-Office Es Shawak issued several contracts for construction and other services in 2008 to meet the needs of newly arrived refugees and the shifting of the sub-office to Kassala. Vendor selection and commercial and pricing negotiation in some major contracts were not made transparently and the Supply Unit was not adequately involved or consulted by the Head of the sub-office in these matters.

40. High risks in contract management in Es Shawak were typified in the following contract:

(a) The Head of the sub-office awarded a contract for leasing and renovation of a new office building in Kassala for \$63,000 in July 2007. This was based on a negotiated offer from a single vendor who was selected on the basis of a personal search by the Head of the sub-office, assisted by some staff, and not through the tender process. The rate of rent and the advance payment were based on negotiations in which the concerned units (Administration or Supply Unit) were not involved. The mode of selecting the building and deciding on the rent was not transparent. The Head of the sub-office recommended to the LCC an upfront payment of the rental advance for 18 months for renovation in exchange for a promise by the landlord to freeze the rent for five years. LCC's approval of proposal of payment of full advance for 18 months rent without retention money did not safeguard UNHCR's interest. Full advance payment of \$63,000 was made to the contractor without any retention money. It is understood that a significant additional cost has been incurred for this renovation work due to uncontrolled and mismanaged additions and alterations in work and there could be a dispute with the contractor on these grounds.

(b) The financial terms of the contract in this case were favourable to the contractor. The contract had many technical and clerical mistakes especially in the financial and commercial terms. The contract did not provide for a performance guarantee nor include the general conditions of UNHCR contracts for the provision of services. In case of dispute,

UNHCR may therefore not be able to establish clearly the obligation of the contractor.

(c) The landlord did not produce approval from local authorities for the extensive modifications to a modestly built existing building and the construction of an underground water reservoir in municipal land prior to starting the renovation work. For the construction of the garage for office cars, permission from the municipal authority to use municipal land was yet to be obtained.

(d) As per the contract, the progress of work was to be personally monitored by the Head of the sub-office, who was not technically qualified to assess the quality and technical aspects of the construction work and thus secure the interest of UNHCR. Security aspects of the new building were also not adequately examined at the initial stage.

41. In another instance, the Head of the sub-office awarded a contract for SDG94,131 (\$45,065) in November 2007 for the construction of additional rooms and facilities in Sub-Office Es Shawak, without prior approval of the LCC on the grounds of urgency. The contract value was based on a single offer as the scope of work was changed after initial bidding and only one response was received for the modified work. The contract did not provide for supervision of work, submission of invoice for payment, or banking details of the contractor, and did not include General Conditions for Provision of Services of UNHCR contracts.

42. Other weaknesses noted by OIOS in contract management in Es Shawak included:

- Sufficient information was not always provided in cases submitted to LCC and they had to defer decision and repeatedly so in some cases;
- Rates of material, labour, transportation, warehousing and construction and equipment cost were not always updated by systematic market surveys;
- Formal payment requests were not obtained in several cases before release of payment. Budget provision was not indicated by the Programme Unit for payment of invoices relating to project expenditure;
- In some cases, payment was approved without record of receipt of services;
- Contracts had no unique identification number and the Supply Unit did not centrally monitor contracts;
- The approved commercial contract format was not used and the contracts did not always clearly indicate obligations of the contractor in the contract;

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- In some contracts (such as the renovation of school buildings in Girba camp and a contract for the transportation of a verification team to refugee camps), irrelevant details were shown as terms agreed between UNHCR and the contractor;
 - In some cases, contracts did not include UNHCR “general conditions on the provision of services (2003 edition)” in the contract;
 - Repeated purchase of some services (e.g., Tukul shelter construction in refugee camps) could have been combined in one contract to obtain better competition and benefit of economy of scale;
 - Staff in other sections in the sub-office, personally collected quotations in some cases.

43. The Supply Officer, ROK visited the East Sudan Office in Es Shawak in February 2009 and during the mission noticed most of the gaps and weaknesses identified in the audit.

Recommendations 9 and 10

The UNHCR Representation Office, Khartoum should:

(9) Instruct the Head of Sub-Office Es Shawak to ensure that internal controls in contract management in the sub-office are strengthened and the Supply Officer is entrusted with the necessary responsibility for processing and monitoring the purchase cases, including: (a) price negotiations and tender procedures are conducted transparently; (b) approved templates and format of contracts are used in all cases; (c) retention money is provided for construction contracts and 100 per cent of advance payment avoided; (d) database of construction costs is updated by systematic market surveys; (e) payments for purchase orders and contracts are supported by invoices, payment request, budget certification and clear record of receipt of goods or services.

(10) Ensure that the contract for renovation and leasing of the new office building in Kassala is amended as a matter of priority, the construction work is reviewed to ensure quality and safety in construction, and the regulations of local authorities are fully complied with.

44. *The UNHCR Representation Office, Khartoum accepted recommendation 9 and stated that internal controls in Sub-Office Es Shawak have been strengthened and systems, which are in conformity with Financial Regulations and supply management rules and procedures, have been*

implemented and substantial improvements have already been made. Some examples of improvements and actions taken include:

(a) Through the use a local contract management team (comprising the Head of sub-office, Admin/Finance Officer, Associate Supply Officer and one additional officer, i.e. either Protection Officer or Programme Officer), the quality of LCC submissions has improved;

(b) The procurement process now consists of: the use of ITBs; a bid opening committee; preparation of bid tabulation by the Associate Supply Officer; a review by the local contract management team; and final approval by the Head of sub-office. This process is also applied to procurement in excess of \$20,000 prior to submission to the LCC at ROK;

(c) A price and performance certification process has been implemented. This requires that all payment requests are supported by a price and performance confirmation certificate duly signed by a receiving officer confirming the receipt of goods and services prior to settlement of invoices;

(d) Contracts issued from February 2009 are sequentially numbered and filed by the Supply Unit to ensure that each contract has a unique number to aid contract management and minimize financial risk. Additionally, all new contracts are based on the approved template, which includes UNHCR general contractual terms and conditions;

(e) The office is making every effort to use requisitions and purchase orders generated from MSRP for procurements over \$1,000 in accordance with the rules for supply management;

(f) To strengthen supply management generally, the Supply Unit in ROK conducted a one-week training from 6 to 10 April 2009 for Sub-Office Kassala's supply staff;

(g) As part of the strengthened internal controls, the supply, administrative and finance staff have all been coached and instructed by the Admin/Finance Officer on the importance of ensuring that all payments are supported by a contract or a PO, an invoice, a payment request and a delivery note or certification of receipt of goods or services. Good progress has been made in this respect;

(h) The DOAP is regularly reviewed and updated to streamline the roles of staff and to delete or add staff immediately when there is a change in staffing of the office.

45. Recommendation 9 remains open pending receipt of evidence that retention money is provided for construction contracts to avoid 100 per cent advance payment and that the database of construction costs is updated by systematic market surveys.

46. *The UNHCR Representation Office, Khartoum accepted recommendation 10 and stated that Sub-Office Kassala begun negotiations with the landlord to amend the current contract and to rectify contentious clauses. Local authorities have been contacted to obtain all relevant compliance reports for review and corrective action, where necessary, to ensure that all works are in accordance with local regulations and standards. However, as there are quality problems and lapses in the already concluded building works, some of the contractors were called back to redo some of the completed works in the roofing and electrical wiring areas. Drainage work remains a major area of concern but appropriate solutions are being identified. While positive steps have been taken to improve the situation, it has come to OIOS' knowledge subsequent to the audit that the contractor has made further claims of more than \$100,000 above the contract amount for the renovation works. The possibility of legal dispute in this regard can not be ruled out. Recommendation 10 remains open pending confirmation that the contract has been amended and clarification of the action taken to protect UNHCR from any legal disputes.*

C. Procurement of specific goods and services

Mismanagement of the purchase of medicines for Blue Nile State

47. In April 2007, the Senior Programme Officer (SPO), ROK sent a proposal to SMS for the purchase of medicines and medical items for a hospital in Kurmuk, Blue Nile State, managed by Samaritan Purse. The SPO did not consult the Supply Unit nor obtain approval of the Representative for the proposal but confirmed the order directly with SMS. The sudden arrival of a large quantity of medicines needing a cold chain arrangement in September 2007 took the ROK management by surprise. The Supply Unit, unaware of the order, had to arrange for trucks with refrigeration and obtain exemption from the government at short notice. Samaritan Purse refused to accept the medicines as the hospital did not have enough capacity and hence part of the medicines was diverted to Es Shawak to avoid spoilage. This serious breach of internal control and professional lapse by an individual staff member exposed ROK to risks of redundant purchase of medicines and waste of funds.

48. OIOS confirmed the following lapses in internal control:

- The list of medicines sent to SMS did not contain the cost of the items, which was mandatory. Thus, the SPO committed unspecified funds for this purchase;
- There was no budget provision for the purchase of medicines through SMS for 2007 for the concerned project. The SPO did not obtain specific approval of the Representative for placing the order directly to Headquarters. In the revised budget the amount was retroactively included for drugs for SMS purchase;
- The forms for requisition of medicines were not reviewed by any medical staff in ROK, as required, before they were sent to SMS;

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- The SPO did not reconfirm the list of medicines and medical items from the field office in Blue Nile Region while acting on an old request from Samaritan Purse dating back to 2005 (In 2007, Samaritan Purse were no longer an Implementing Partner of UNHCR).

49. Details of receipt and utilization of the medicines were not furnished to OIOS by the Programme Section, ROK. Copies of the POs issued by SMS and details of utilization of medicines could also not be provided to OIOS. In addition, there was no file containing the hard copy of records of this case. This diluted accountability.

50. The Office of the Inspector General in its report on this matter commented on an unplanned purchase and failure to consult the health sector specialist in the regional hub in this case.

Recommendation 11

(11) The UNHCR Representation Office, Khartoum should establish accountability for lapses in ordering medicines and medical items for the Kurmuk hospital in April 2007 through the UNHCR Supply Management Service and prepare hard copy documentation of the case to facilitate the process. The lessons learnt from this case should be used to improve internal control and mitigate risks of unplanned and redundant purchases.

51. *The UNHCR Representation Office, Khartoum accepted recommendation 11 and stated that, as similarly recommended by the UNHCR Inspector General's Office in October 2008, ROK is in the process of establishing measures to ensure that adequate coordination and communication at all levels of the procurement process is being done. The current practice for procurement of drugs and medical supplies is as follows: Upon request by the Programme Unit for sourcing and procurement of drugs and medical supplies, consultations are made with the relevant sector specialist. In 2009, Sub-Office Kassala made one request for drugs and medical supplies through the Programme Officer. However, this was immediately re-routed to the Sub-Office Kassala's Medical Coordinator for verification against needs and technical suitability. The Medical Coordinator has the list of the Ministry of Health's authorised drugs. Recommendation 11 remains open pending clarification of steps taken to establish accountability for the serious breach of internal control and individual lapse in ordering unnecessarily huge quantity of medicines from SMS in disregard of established controls.*

Delay in procurement of security services

52. UNHCR Headquarters allocated \$255,862 in August 2007 for the purchase of an electronic surveillance system and other additional security needs of the ROK office building. The amount was to be spent by 15 November 2007. However, ROK wasted time buying the special items locally, although these

items needed international procurement, and thus delayed the use of funds and installation of the safety equipment. Besides, the full amount allocated by Headquarters could not be spent before the end of the year as invoices for local construction works were received late. The unspent amount was reallocated to the 2008 budget.

Recommendation 12

(12) The UNHCR Representation Office, Khartoum should ensure that requisitions for all special items are invariably sent to the UNHCR Supply Management Service in a timely and coordinated manner.

53. *The UNHCR Representation Office, Khartoum accepted recommendation 12 and stated that ROK's Supply Unit works in consultation with the UNHCR Supply Management Service in a timely and coordinated manner for sourcing of all specialized items. In almost all cases specialized items are sourced via SMS. Exceptional local sourcing is done when SMS agree on such options.* Based on the action taken by UNHCR, recommendation 12 has been closed.

Lapses in contracting for transportation of non-food items to Darfur

54. Based on an LCC approval, ROK made an agreement for one year with a local transporter in August 2007 for transportation of non-food items (NFIs) to Darfur with cost ceiling of \$150,000. ROK paid \$470,884 to the transporter until May 2008 without knowledge of LCC and approval of the CoC in Headquarters. The case was approved ex-post facto by the CoC in August 2008 when they expressed serious concern about the breach of rules. OIOS noted lapses in this case.

55. The Supply Unit substantially underestimated the potential value of the contract when the case was submitted to the LCC, despite the experience of a previous contract for the same service. As a result, the proposal was not submitted upfront for prior approval of the CoC. The low estimate led to lost opportunity of potential better rates at the tender stage.

56. The Supply Unit did not include the cost ceiling of the LCC in the draft contract and this aggravated risk of failure in budget control. Furthermore, the contract expenditure was not systematically monitored in the Supply Unit while processing the invoices, which led to unchecked payment of three times the contract value within nine months of signing the contract. The Finance Unit did not have adequate manual control to raise questions about excessive payments against this contract which was processed on non-PO basis. Exception analysis of transactions to locate high value payments to a contractor could have raised the alarm in time regarding payments beyond contract value.

57. The contractor was required to submit the invoices for the services rendered for the contract but most of the invoices were submitted by another company, who also received the payments. The contractor provided no authority

to ROK to accept the invoice from or pay to another company. This exposed UNHCR to unacceptable financial risk in case of dispute over payment.

Recommendation 13

(13) The UNHCR Representation Office, Khartoum should establish accountability for lapses in excessive payment beyond the cost ceiling for land transport services for sending Non Food Items to Darfur and improve the internal controls to avoid breach of critical controls.

58. *The UNHCR Representation Office, Khartoum accepted recommendation 13 and stated that correctional measures and improvements have been instituted as explained in paragraph 15. For example, contract ceiling is now incorporated into all contracts, monitoring sheets for contract payments are instituted, and the accurate recording of and compliance with the LCC decisions is enforced.* Recommendation 13 remains open pending clarification of the steps taken to establish accountability for lapses in making excessive payment beyond the cost ceiling for the land transport services for sending NFI items to Darfur.

Inadequate planning and monitoring of procurement of fuel

59. Fuel was procured from a supplier in Khartoum for operation of generators and the vehicle fleet at fixed price for one year starting from August 2007 for the supply of 28,800 litres of diesel and 7,200 litres of petrol to UNHCR for the total value of SDG39,240 (\$19,600). Due to weak monitoring of the fuel contract, 53,595 litres of diesel and 11,000 litres of petrol were purchased for approximately SDG69,391 (\$34,695) against this contract until the end of July 2008. LCC approved this excess purchase on an ex-post facto basis when the case was put up for approval after the expiry of the contract. Operational reasons were cited for excess consumption but weak fleet and fuel management practices in ROK could also have been reasons for the excess consumption.

60. For 2008-09, LCC waived tendering for fuel purchase and approved in October 2008 the purchase from the existing supplier of 60,000 litres of diesel and 15,000 litres of petrol for SDG 80,000, based on the consumptions trend, at the same price for one year. As of March 2009, the contract was not signed because the vendor insisted on receiving advance payment for the fuel supply. However, Administration Unit was purchasing fuel for six months from the same supplier on an ad hoc basis without any contract and did not refer the matter back to the Supply Unit or to the LCC. It was exposed to the risk of non-supply of a critical item in case the supplier refused fuel supply. This case also illustrates how contract management suffered due to lack of coordination and clarity in responsibility between various units.

61. For the supply of fuel for five field offices ROK made an advance deposit for six months to the United Nations Mission in Sudan (UNMIS) under a Memorandum of Understanding (MOU). UNHCR routinely paid fresh deposits in 2007 and 2008 despite large unused balances from previous deposits. For

example, in 2008, UNMIS requested for advance deposits in January for \$141,706 and in July for \$177,866, although there were unutilized balances of \$194,237 and \$62,125, respectively, in these months. A review of consumption of diesel by UNHCR and projected demands for Field Offices in Malakal, Damazine and Kurmuk for vehicles and generator sets in 2008 showed that Kurmuk and Malakal made excess projection of demand by \$39,492 for six months. Thus, almost \$80,000 could be saved annually in these offices if advance deposit was regulated keeping in view the unused deposits. ROK acted promptly on the audit finding, and determined that no advance deposit would be paid to UNMIS for the first six months of 2009.

62. The Supply Unit in ROK reconciled consumption figures (as per UNHCR) and supply figures (as per UNMIS) for the five offices concerned up to July 2008. Consumption figures from Kurmuk were not received after March 2008 and reconciliation has been due since then.

Recommendation 14

(14) The UNHCR Representation Office, Khartoum should strengthen internal controls in procurement and consumption fuel for its fleet and generators and conclude the agreement with the supplier without further delay. The Representation office should also regulate the advance deposits to the United Nations Mission in Sudan for fuel procurement for the field office in Kurmuk and Damazine after adjusting the unspent deposits.

63. *The UNHCR Representation Office, Khartoum accepted recommendation 14 and stated that in April 2009 the fuel supply contractor for ROK fleet and generators signed the long outstanding agreement with UNHCR. The contractual arrangements allow UNHCR to pay a minimum deposit of \$5,000 as advance payments towards supply. According to ROK, this arrangement is satisfactory and involves less risk for UNHCR against arbitrary discontinuation of supply by the contractor. There are very limited options of credit facilities for fuel in Sudan. The Supply Unit is looking for other options. The advance deposits to the UNMIS for fuel procurement for the Field Offices are now effectively monitored by the Supply Unit, since January 2008, for amounts consumed. Replenishments during the renewal of the MOU are done after consideration of the remaining balance. In 2009, no payments or deposits were made to UNMIS as a result of the carry over from 2007/2008 deposits for Kurmuk, Damazine and Malakal. Coordination issues are taken care of through the MOU. Based on the action taken by UNHCR, recommendation 14 has been closed.*

Frequently purchased goods and services not procured strategically

64. OIOS notes that ROK did not procure the frequently purchased items in a strategic and systematic manner. For example:

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- Pouch services, air conditioners, information technology consumables, spare parts for generators and vehicles and vehicle maintenance services were repeatedly purchased from the same vendors without tendering and contracts and without prior approval of LCC, although expenditure exceeded \$20,000 in a year for most of these items. Similarly, low capacity generators of a particular brand were purchased from one authorized dealer in Khartoum for the field offices, particularly for Darfur. Frame agreement based on tenders would have given cost advantage in such cases;
 - Shipping and clearing services for sea and air consignments and travel services were procured without any contract for a total cost above \$20,000 a year without LCC's approval;
 - No rent was recovered from the travel agent for the office space provided to them and the rate of rebate offered by them was not revised since 2003;
 - The demurrage charges for shipping and clearance were excessive in some cases (44 per cent in case of clearance of NFIs and Toyota vehicles in April 2008) and no free time was allowed. Payment of demurrage charges needed monitoring.

Recommendation 15

(15) The UNHCR Representation Office, Khartoum should have a formal contract and frame agreement, wherever possible, with the suppliers of frequently purchased services and goods. For all potential purchases above \$20,000, prior approval of the Local Committee on Contracts should be obtained after following tender procedure. Payment of demurrage charges should be monitored.

65. *The UNHCR Representation Office, Khartoum accepted recommendation 15 and stated that as explained in paragraph 11, framework and contractual agreements have been established for these services in 2009. Submissions to the LCC are being adhered to. Port handling demurrages arise through a number of reasons. Actions within ROK's control are being managed to avoid demurrages through regular proactive contacts with relevant Line Ministries for custom clearances and immunities. ROK is striving to avoid demurrage charges by constantly communicating with international buyers and supplies to send shipping documents in advance of goods dispatched. Recent positive developments can be witnessed in the pre-alert process and synchronization of consignment arrivals. Based on the action taken by UNHCR, recommendation 15 has been closed.*

D. Payment of vendors' invoices and related matters

Deficiencies in the management of suppliers' invoices

66. Timely payment of vendor's claims creates a positive image of the organization, attracts more vendors and reduces the risk of irregularities. While some invoices were paid in ROK in one day, others took more than 90 days. Deficiencies in invoices or operational reasons could delay the process some cases, but there was scope of reducing the processing time of invoices in ROK. Receipt and processing of invoices were not systematically monitored and reported in the Administration or Supply Units. Processing of invoices was complicated, having many steps, but no written procedures were developed in the Supply Unit. Invoices for supplies to ABOD (more than 400 invoices in 2008) were not formally registered in the Administration Unit and not monitored. Accountability for loss of invoice or delay in processing could therefore not be established easily. The Supply Unit manually registered the project-related invoices.

67. The following deficiencies in invoices could increase risk of fraud and error:

- Invoices for service contracts routinely omitted the contract number. Linking the invoices to the contracts and budget control is therefore difficult. The risk of fraud may increase in such situations;
- In many cases, invoices were submitted by companies whose names were different from the name of the contractor or supplier. If this discrepancy is not resolved before payment, UNHCR may face the risk of financial loss in the event the contractor disputes the payments;
- In several security construction contracts, retention money was claimed in invoices before these were due and was paid in disregard of contract condition. In some cases, invoices were submitted without certificates of completion of work.

68. UNHCR's standard mode of payment is Electronic Fund Transfer (EFT). However, in 2008, only one supplier in ROK was paid by EFT. Of the approximately 1,355 checks issued to staff and vendors during the year, 11 vendors (who received payments in excess of \$50,000) were issued with approximately 295 checks (22 per cent). For these vendors who submit many invoices, monthly consolidated invoices and EFT could reduce the overall work load, although it is recognised that there could be some problems in handling bulky documents in the Finance Unit. In the context of differences between the names of contractors and the person/company submitting invoices, EFT could reduce the risk of payment to unauthorised person. In addition, the clerical work and time involved in writing and disbursement of checks personally to the vendors could be reduced.

Recommendation 16

(16) The UNHCR Representation Office, Khartoum should ensure that: (a) all invoices are registered electronically and systematically reported and monitored in Administration and Supply Units; (b) vendors include contract or purchase order details and work completion certificates in their invoices; (c) only the contractor or his authorized agent receives payments; and (d) vendors who submit many invoices should be encouraged to submit monthly invoices and accept electronic payments where feasible.

69. *The UNHCR Representation Office, Khartoum accepted recommendation 16 and stated that the current procedure in Supply Unit is in adherence to the recommendation. Vendors will be encouraged to supply monthly invoices and to accept electronic transfers of payments where feasible and if acceptable to them. Recommendation 16 remains open pending clarification of the action taken to electronically register the invoices in the Administration Unit (which deals with Non PO purchases for ABOD of up to \$2,000 in each case and receives a large number of invoices) and how their processing is monitored.*

Claim for reimbursement of VAT not pursued

70. As per the governmental decree in Sudan, UN agencies are required to apply for reimbursement of Value Added Tax (VAT) with accompanying documents and invoices. Although approximately \$60,636 was due for reimbursement, ROK has not claimed any VAT reimbursement from December 2006 to December 2008. Also, suppliers were not including VAT in the invoices, in most cases without any certificate that VAT was prepaid by them.

Recommendation 17

(17) The UNHCR Representation Office, Khartoum should pursue all Value Added Tax (VAT) claims and encourage the vendors to include VAT charges in their invoices wherever due.

71. *The UNHCR Representation Office, Khartoum accepted recommendation 17 and stated that they continue to pursue VAT claims with the appropriate line ministries. On 15 February 2009, ROK submitted all outstanding VAT refund applications. Vendors are always encouraged to include VAT charges in their invoices. Recommendation 17 remains open pending clarification of the steps taken by ROK to ensure that vendors provide VAT charges in their invoices, as well as a statistical summary of pending claims filed with the authorities since February 2009 and the amounts of VAT refund received.*

V. ACKNOWLEDGEMENT

72. We wish to express our appreciation to the Management and staff of UNHCR in Sudan 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 ¹	Actions needed to close recommendation	Implementation date ²
1	The UNHCR Representation Office, Khartoum should define the strategic goals of procurement activities for 2009 and also for the Country Operation Plan for 2010-2011 and ensure that these goals are met through appropriate action.	Strategic	High	C	Action completed	Implemented
2	The UNHCR Representation Office, Khartoum should develop a mechanism for identifying and monitoring critical risks in procurement management. To support risk management, reporting facilities in Management System Renewal Project (MSRP) should be used to monitor and analyze trends and high risk areas in administrative and project purchases.	Governance	High	O	A documented policy on procurement risk management in the UNHCR Operations in Sudan	30 June 2009
3	The UNHCR Representation Office, Khartoum should make the end of assignment handover note a mandatory exit formality for all Unit and Section chiefs.	Strategic	Moderate	O	Written instructions issued by the Representative to staff to provide handover notes prior to departure on reassignment or completion of service	Not provided
4	The UNHCR Representation Office, Khartoum should ensure online budget checks for high value service contracts, in order to minimize the risk of expenditure beyond approved contract value. In cases when this is not feasible, manual controls in all concerned Sections should be enhanced to mitigate this risk.	Operational	Moderate	C	Action completed	Implemented
5	The UNHCR Representation Office, Khartoum should ensure that the Supply Unit develops written procedures for key internal activities for better internal monitoring and control, and that local support staff is provided refresher training in supply management activities and	Operational	Moderate	C	Action completed	Implemented

	Management System Renewal Project controls.	Operational	High	C	Action completed	Implemented
6	The UNHCR Representation Office, Khartoum should update the online vendor database and expand its use, ensure correct uploading of names and details of the vendors in the database, and set up a Vendor Review Committee.	Operational	High	C	Action completed	Implemented
7	The UNHCR Representation Office, Khartoum should improve critical controls in contract management by: (a) formal division of responsibility between various Sections and Units for the management of contracts; (b) strengthened monitoring of the expenditure and validity of contracts; and (c) enlisting pre-qualified contractors on a priority basis.	Operational	High	O	A written instruction issued by the Representative to the section chiefs reiterating their respective responsibilities for contract management, including monitoring payments for contracts and avoiding issue of duplicate contracts for the same services/goods	Not provided
8	The UNHCR Representation Office, Khartoum should ensure that the new members and secretaries of the Local Committee on Contracts (LCC) are systematically briefed on their responsibilities. In addition, the secretaries of the LCC should regularly send minutes of all LCC meetings to UNHCR Headquarters and properly file the minutes.	Operational	Moderate	O	Evidence that LCC minutes are sent by the LCC Secretary to the UNHCR Headquarters	Not provided
9	The UNHCR Representation Office, Khartoum should instruct the Head of Sub-Office Es Shawak to ensure that internal controls in contract management in the sub-office are strengthened and the Supply Officer is entrusted with the necessary responsibility for processing and monitoring the purchase cases, including: (a) price negotiations and tender procedures are conducted transparently; (b) approved templates and format of contracts are used in all cases; (c) retention money is provided for construction contracts and 100	Operational	High	O	Evidence that: a) retention money is provided for construction contracts to avoid 100 per cent advance payment; and b) the database of construction costs is updated by systematic market surveys.	Not provided

	per cent of advance payment avoided; (d) database of construction costs is updated by systematic market surveys; (e) payments for purchase orders and contracts are supported by invoices, payment request, budget certification and clear record of receipt of goods or services.	Operational	High	O	(a) Confirmation that the contract for renovation and leasing of the new office building in Kassala city has been amended (b) clarification of the action taken to protect UNHCR from any legal disputes	Not provided
10	The UNHCR Representation Office, Khartoum should ensure that the contract for renovation and leasing of the new office building in Kassala is amended as a matter of priority, the construction work is reviewed to ensure quality and safety in construction, and the regulations of local authorities are fully complied with.	Operational	High	O	(a) Confirmation that the contract for renovation and leasing of the new office building in Kassala city has been amended (b) clarification of the action taken to protect UNHCR from any legal disputes	Not provided
11	The UNHCR Representation Office, Khartoum should establish accountability for lapses in ordering medicines and medical items for the Karmuk hospital in April 2007 through the UNHCR Supply Management Service and prepare hard copy documentation of the case to facilitate the process. The lessons learnt from this case should be used to improve internal control and mitigate risks of unplanned and redundant purchases.	Governance	Moderate	O	Clarification of steps taken to establish accountability for the serious breach of internal control and individual lapse in ordering unnecessarily huge quantity of medicines from SMS in disregard of established controls	Not provided
12	The UNHCR Representation Office, Khartoum should ensure that requisitions for all special items are invariably sent to the UNHCR Supply Management Service in a timely and coordinated manner.	Operational	Moderate	C	Action completed	Implemented
13	The UNHCR Representation Office, Khartoum should establish accountability for lapses in excessive payment beyond the cost ceiling for land transport services for sending Non Food Items to Darfur and improve the internal controls to avoid breach of critical controls.	Governance	Moderate	O	Clarification of the steps taken to establish accountability for lapses in making excessive payment beyond the cost ceiling for the land transport services for sending NFI items to Darfur	Not provided
14	The UNHCR Representation Office,	Operational	High	C	Action completed	Implemented

	<p>Khartoum should strengthen internal controls in procurement and consumption of fuel for its fleet and generators and conclude the agreement with the supplier without further delay. The Representation Office should also regulate advance deposits to the United Nations Mission in Sudan for fuel procurement for the Field Offices in Kurmuk and Damazine after adjusting the unspent deposits.</p>	Operational	Moderate	C	Action completed	Implemented
15	<p>The UNHCR Representation Office, Khartoum should have a formal contract and frame agreement, wherever possible, with the suppliers of frequently purchased services and goods. For all potential purchases above \$20,000, prior approval of the Local Committee on Contracts should be obtained after following tender procedure. Payment of demurrage charges should be monitored.</p>	Operational	Moderate	C	Action completed	Implemented
16	<p>The UNHCR Representation Office, Khartoum should ensure that: (a) all invoices are registered electronically and systematically reported and monitored in Administration and Supply Units; (b) vendors include contract or purchase order details and work completion certificates in their invoices; (c) only the contractor or his authorized agent receives payments; and (d) vendors who submit many invoices should be encouraged to submit monthly invoices and accept electronic payments where feasible.</p>	Financial	High	O	Clarification of the action taken to electronically register the invoices in the Administration Unit and how their processing is monitored	Not provided
17	<p>The UNHCR Representation Office, Khartoum should pursue all Value Added Tax (VAT) claims and encourage the vendors to include VAT charges in their invoices wherever due.</p>	Financial	Moderate	O	<p>(a) Clarification of the steps taken by ROK to ensure that vendors provide VAT charges in their invoices, (b) a statistical summary of pending claims filed with the authorities since February 2009 and the amounts of VAT refund</p>	Not provided

