

Background

The Low-Value Procurement (LVP) audit at the Jordan Field Office (JFO) was identified as a high-risk area during the risk assessment performed by the Internal Audit division (IAD) of the Department of Internal Oversight Services (DIOS). It was conducted as Sprint 2 in the Agency-wide audit of LVP.

This audit aligns with the DIOS mandate of promoting accountability and transparency within the UNRWA.

UNRWA Procurement Manual (PM) dated 1 November 2021 regulates the Agency's actions concerning the acquisition of (i) goods, (ii) real property, (iii) construction, and (iv) services - by purchase, lease, or any other means.

The PM defines LVP, which includes Micro Purchases, as *"an informal method of solicitation ('shopping'). It is a method based on the comparison of prices obtained from potential vendors, received orally or in writing"*.

The contract threshold value for LVP is USD 10,000 and USD 1,000 for Micro Purchases. The LVP threshold is delegated to user departments/requisitioners without the involvement of the Central Support Services Division (CSSD) or Field Procurement and Logistics Office.

In February 2023, the CSSD issued Additional Guidance Notes on LVP for staff with delegated authority. The guidance includes details about LVP procedures such as definitions, procurement principles, exclusions, considerations, filing, monitoring, reporting, and relevant system transactions.

The number of Low-Value Purchase Orders (LVPOs) at JFO reached to 899 with a total value of USD 1.5 million in 2023, compared to USD 816,000 for 544 LVPOs in 2020 and USD 835,000 for 590 LVPOs in 2021.

Objective and Scope of the Audit

The audit assessed whether the governance arrangements, risk management practices and controls were adequately established and functioned well to provide reasonable assurance that the objectives of the audited area are achieved.

The IAD of DIOS performed a trend analysis and sample testing on 2022 and 2023 data.

What DIOS IAD concluded

Overall, the LVP at JFO was assessed as *unsatisfactory*. This means that the assessed governance arrangements, risk management practices and controls were either not adequately established or did not function well to provide reasonable assurance that the objectives of the audited area are achieved.

The rating was primarily based on the urgent need for management action to address significant instances of non-compliance with the Procurement Manual and the Additional Guidance Notes for low value procurement.

Achievements

The CSSD (starting mid-2023) prepares comparative analysis on the use of the LVPOs per field office/department. Also, the Senior Compliance Officer at JFO acted promptly and asked the End Users responsible for creating LVPOs in REACH to ensure that key supporting documents for all POs created should be attached to the PO screen in REACH to provide a sufficient audit trail.

What IAD recommended

Two high priority recommendation were issued:

1. The Director of JFO UNRWA Affairs should take action to address areas of non-compliance as

detailed in the audit report. Specific actions are required to:

- ensure the application of mandatory supplier screening processes.
- make full utilization of Long-Term Agreements in place with suppliers.
- ensure timely creation and approval of purchase orders.
- solicit sufficient and comparable quotations before making purchases.
- avoid splitting contracts that allow the circumvention of procurement rules, and
- ensure complete and accurate data is input into REACH.

2. The Chief, CSSD should update the Guidance Notes for Low Value Procurement by:

- specifying clearly what supporting documentation should be attached to purchase orders in REACH.
- emphasizing the importance of the accuracy of attached information in REACH and the responsibility of purchase order releasing authority's responsibility

to verify the accuracy of the attached information.

- establishing a mechanism to monitor adherence to LVP regulations and to identify and address non-compliance with procurement rules and regulations.

CSSD should also remind all departments and Field Offices of the need to comply with low-value procurement rules and regulations.

What management is doing to address DIOS recommendations

JFO and CSSD Management accepted the recommendations and are in the process of implementing them. Management has developed action points, the timeline to implement planned actions, responsible officials to execute the actions, expected outcomes and expected completion dates.

Methodology, Approach and Disclosure

The audit sought to provide assurance for the presence of a contract management framework and that LVPs were properly processed by end-users in JFO per applicable UNRWA policies and procedures. Purchase Orders (POs) raised in 2022 and 2023 were covered by this audit.

The approach included inquiries and interviews discussions with relevant staff, assessing relevant documents, analysis of data obtained, and other procedures deemed necessary.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. It was completed in conformity with the approved work plan and considered the risk assessment exercise conducted before the audit.

Pursuant to OD14, this summary of observations and recommendations, including management action taken to address recommendations, is made publicly available on the DIOS internet page upon issuance of the report on 19 December 2024.