

June 2026

# Verification of Partner Procurement Activities

UNHCR Capacity Enhancement Webinar



# Introduction



**Andrew Dawson**  
Director

+44 (0) 20 7516 2200 | [adawson@pkf-l.com](mailto:adawson@pkf-l.com)



**Francisco Diaz**  
Institutional Donor Grant Auditor

+44 (0) 20 7516 2200 | [fdiaz@pkf-l.com](mailto:fdiaz@pkf-l.com)



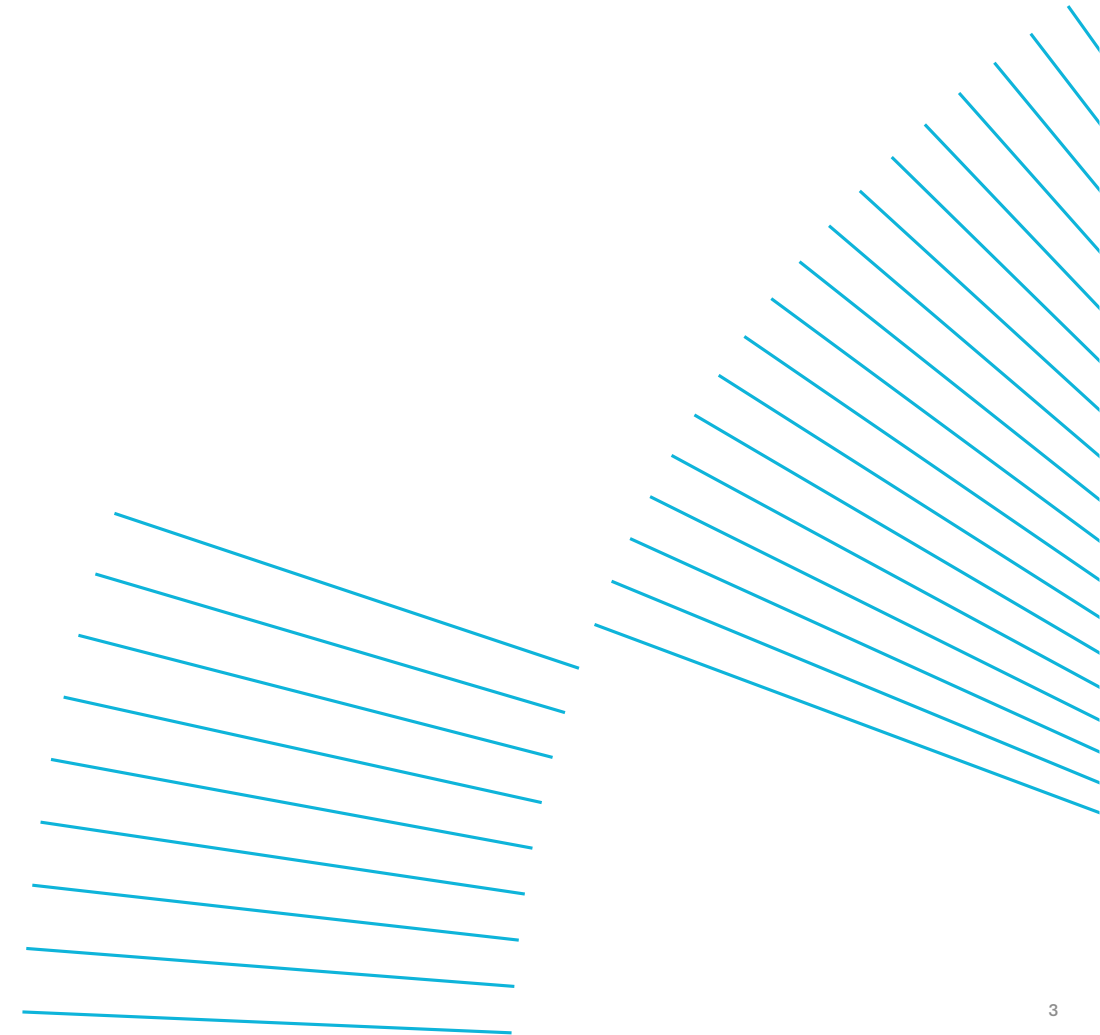
**Zakaria Azouz**  
Institutional Donor Grant Auditor

+44 (0) 20 7516 2200 | [zazouz@pkf-l.com](mailto:zazouz@pkf-l.com)

# Objective of this session

This session is designed to strengthen the ability of UNHCR staff and partners to effectively verify procurement expenditures reported in Project Financial Reports (PFRs)  
The focus will be on:

- Understanding how procurement transactions should be reviewed in practice
- Applying a structured, risk-based approach to verification
- Identifying common weaknesses and errors in procurement processes
- Recognising indicators of potential fraud and knowing how to respond



# What this session will cover

We will focus specifically on procurement by partners, including:

How procurement fits into financial verification

How to identify higher-risk procurement activities

How to select and test transactions

What supporting documentation should be reviewed

Common issues observed in audits

Fraud indicators and escalation expectations

# Procurement In The Context Of Verification

# Why procurement is a key risk area

Procurement is one of the highest-risk areas in partner expenditure because:



It often involves significant financial value



It relies heavily on judgement (supplier selection, evaluation)



It can be vulnerable to manipulation if controls are weak



Documentation may exist, but not reflect what actually happened



As a result, procurement is a major focus in audit and verification work.

# What are we verifying in procurement?

When reviewing procurement transactions, the objective is not only to confirm that a purchase took place.

We are verifying that:

- The procurement followed appropriate procedures
- The process was transparent and competitive
- The selected supplier was appropriate
- The goods or services were actually delivered
- The cost is eligible under the Partnership Agreement

# Link to Internal Control Questionnaire (ICQ)

The Internal Control Questionnaire (ICQ) provides a structured framework for assessing procurement controls at partner level.

Key procurement-related areas assessed include:

- Whether formal procurement policies and procedures are in place
- Whether clear thresholds exist for different procurement methods
- Whether there is adequate segregation of duties between procurement, approval and payment
- Whether bid evaluation processes are defined, documented and consistently applied
- Whether conflicts of interest are identified, declared and managed
- Whether supplier due diligence processes are in place
- Whether contract management procedures exist

The results of the ICQ assessment should directly inform:

- The risk assessment
- The selection of procurement samples
- The depth and focus of testing

# Using ICQ Results in Practice

## In practice:

- Weak ICQ results → increased sample size and deeper testing
- Strong IC controls → more reliance on documented procedures
- Identified gaps (e.g. no segregation of duties) → targeted testing

## The ICQ is therefore a key tool linking:

Control environment → Risk assessment → Audit approach

# Risk Assessment (Procurement Focus)

# Why risk assessment matters

It is neither practical nor necessary to test every procurement transaction.

A risk-based approach allows us to:

- Focus on transactions most likely to contain errors or irregularities
- Allocate time and effort efficiently
- Increase the likelihood of identifying significant issues

# Indicators of higher-risk procurement

The following factors typically increase procurement risk:



High-value contracts



Emergency or direct procurement (single sourcing)



Repeated awards to the same supplier

# Analytical Procedures in Procurement

Analytical procedures are used to identify unusual patterns or trends in procurement before selecting transactions for detailed testing.

They help to:

- Highlight areas of higher risk
- Identify inconsistencies across suppliers or periods
- Detect potential errors or irregularities at an early stage

Typical analytical procedures include:

- Comparing procurement spend by category or supplier
- Identifying unusually high or low unit prices
- Reviewing trends over time (e.g. sudden increases in spending)
- Comparing budget vs actual procurement costs

# Examples of Analytical Red Flags

Analytical review may highlight the following issues:

A single supplier accounting for a large proportion of total procurement spend	Significant year-on-year increases in procurement without clear justification	Similar contract values repeatedly just below procurement thresholds	Large variations in pricing for similar goods or services
--	---	--	---

These indicators do not necessarily confirm issues but should guide further testing.

# Sampling (Procurement)



# What is sampling in procurement verification?



Sampling involves selecting a number of procurement transactions from the full population for detailed testing.



The purpose is to draw conclusions on whether procurement activities overall are compliant and well controlled.

# How procurement samples are selected

A typical procurement sampling approach includes:

- Selection of all high-value procurements
- Selection of transactions identified as high-risk
- A limited number of additional items to provide broader coverage

Sampling is therefore driven by judgement rather than being purely random.

# Practical example

For example:

- If one procurement contract represents a large proportion of total spending, it should always be included in the sample
- If several small procurements appear to be split to avoid thresholds, these should also be selected
- The focus is always on **where issues are most likely to arise.**

# Substantive Testing Of Procurement



# What is substantive testing?

Substantive testing is the detailed review of individual procurement transactions.

It involves examining supporting documentation and evidence to confirm that:

The procurement process was followed

The transaction is valid

The expenditure is eligible

# Key principle

A fundamental rule in verification is:



If a procurement process is not properly documented, it cannot be considered compliant.



Even if the purchase seems reasonable, lack of documentation is a significant issue.

# Core documentation expected

For each procurement transaction, the following documentation should normally be available:

 Purchase requisition and approvals


 Tender or request for quotation (RFQ)

 Bids received from suppliers

 Bid evaluation documentation

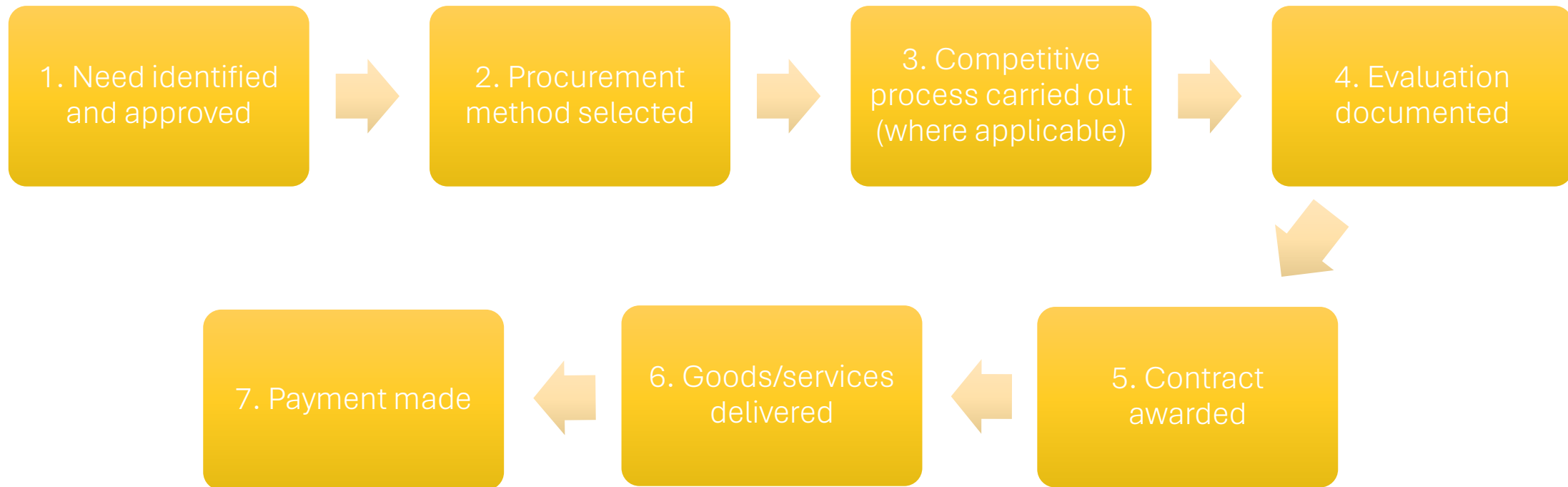
 Contract or purchase order

 Delivery evidence (goods received note, completion certificate)

 Invoice and proof of payment

## The procurement trail

A compliant procurement transaction should show a clear and logical sequence:



Any break in this sequence should be carefully examined.

# 3-Way Matching

A critical control in procurement verification is ensuring consistency between:

Contract / purchase order

Supplier invoice

Evidence of delivery or service

All three elements must align in terms of:

Quality

Price

Description

# Key tests performed

During verification, the following checks are typically performed:

- Was the correct procurement procedure used based on thresholds?
- Was there sufficient competition?
- Was the evaluation documented and justified?
- Does the contract reflect the winning bid?
- Was the delivery completed as expected?
- Does the payment match the agreed terms?

# Procurement Transaction Walkthrough

The following example illustrates how a single procurement transaction is verified in practice.

## Transaction selected:

- Purchase of laptops for project staff
- Value: USD 8,000
- Procurement method: Request for Quotations (RFQ)

## The objective is to confirm:

- The procurement process was compliant
- The goods were delivered
- The expenditure is eligible

# Step 1 – Procurement Process Review

---

Verify:

Was the correct procurement method used based on thresholds?

---

Was the RFQ properly issued to suppliers?

---

Were sufficient quotations obtained?

---

---

Key documents reviewed:

RFQ documentation

---

List of invited suppliers

---

Quotations received

---

## Step 2 – Evaluation and Award

---

Verify:

Was the bid evaluation documented?

---

Were evaluation criteria applied consistently?

---

Was the selected supplier justified?

---

---

Key documents reviewed:

Bid evaluation report

---

Evaluation committee approvals

---

Award decision

---

# Step 3 – Contract and Ordering

---

Verify:

Does the purchase order/contract reflect the selected bid?

---

Are quantities, prices and terms consistent?

---

---

Key documents reviewed:

Signed contract or PO

---

# Step 4 – Delivery of Goods

---

Verify:

Were the goods received?

---

Do quantities match the order?

---

Is there evidence of acceptance?

---

Key  
documents  
reviewed:

Delivery note / goods received note

---

# Step 5 – Payment Verification

---

Verify:

Does the invoice match the contract and delivery?

---

Was payment made to the correct supplier?

---

Does the amount agree to financial records?

---

---

Key documents reviewed:

Supplier invoice

---

Bank statement / proof of payment

---

# Step 6 – Conclusion

Based on  
the testing  
performed:

Procurement process: compliant / non-compliant

Documentation: adequate / insufficient

Expenditure: eligible / ineligible

Any issues  
identified  
should be:

Documented

Quantified (if applicable)

Escalated where necessary

# Eligibility Of Procurement Expenditure

# What makes a procurement cost eligible?

For procurement expenditure to be eligible, it must:

- Relate directly to project activities
- Be incurred within the project implementation period
- Be supported by adequate documentation
- Be procured in line with agreed procedures
- Not be charged to another donor

# Common causes of ineligible procurement costs

Procurement costs are often found to be ineligible due to:

- Non-compliance with procurement procedures
- Lack of supporting documentation
- Goods or services not received
- Procurement outside the approved budget
- Evidence suggesting double funding

# Procurement Red Flags (Fraud Focus)

# Why fraud awareness is important

Procurement is one of the areas most vulnerable to fraud and misconduct.

As part of verification, UNHCR staff are expected to:

01

Be alert to potential indicators of fraud

02

Identify inconsistencies or unusual patterns

03

Escalate concerns appropriately

# Procurement-related fraud indicators

Examples of common red flags include:



The same suppliers repeatedly winning contracts without clear justification



Bidders with similar names, addresses, or ownership



Bid prices that are unusually similar or identical



Procurement processes that appear rushed or poorly documented



Contracts signed before the procurement process was completed

# Indicators within documentation

Careful review of documents may reveal:

- Missing or altered pages
- Evaluation reports not signed or approved
- Inconsistent dates (e.g. contract signed before bids received)
- Lack of evidence of competition where required

These issues should always be followed up.

# What should you do if you identify concerns?

If potential fraud indicators are identified:

- Document the issue clearly
- Do not ignore or dismiss inconsistencies
- Escalate through the appropriate channels
- Coordinate with relevant UNHCR units (including investigation functions where applicable)

Early escalation is critical.

# Verification Modalities (Procurement)



# Onsite vs remote procurement verification

Procurement verification can take place either:

**Onsite**, by reviewing original documents and observing processes

**Remotely**, by reviewing scanned documentation and conducting follow-ups

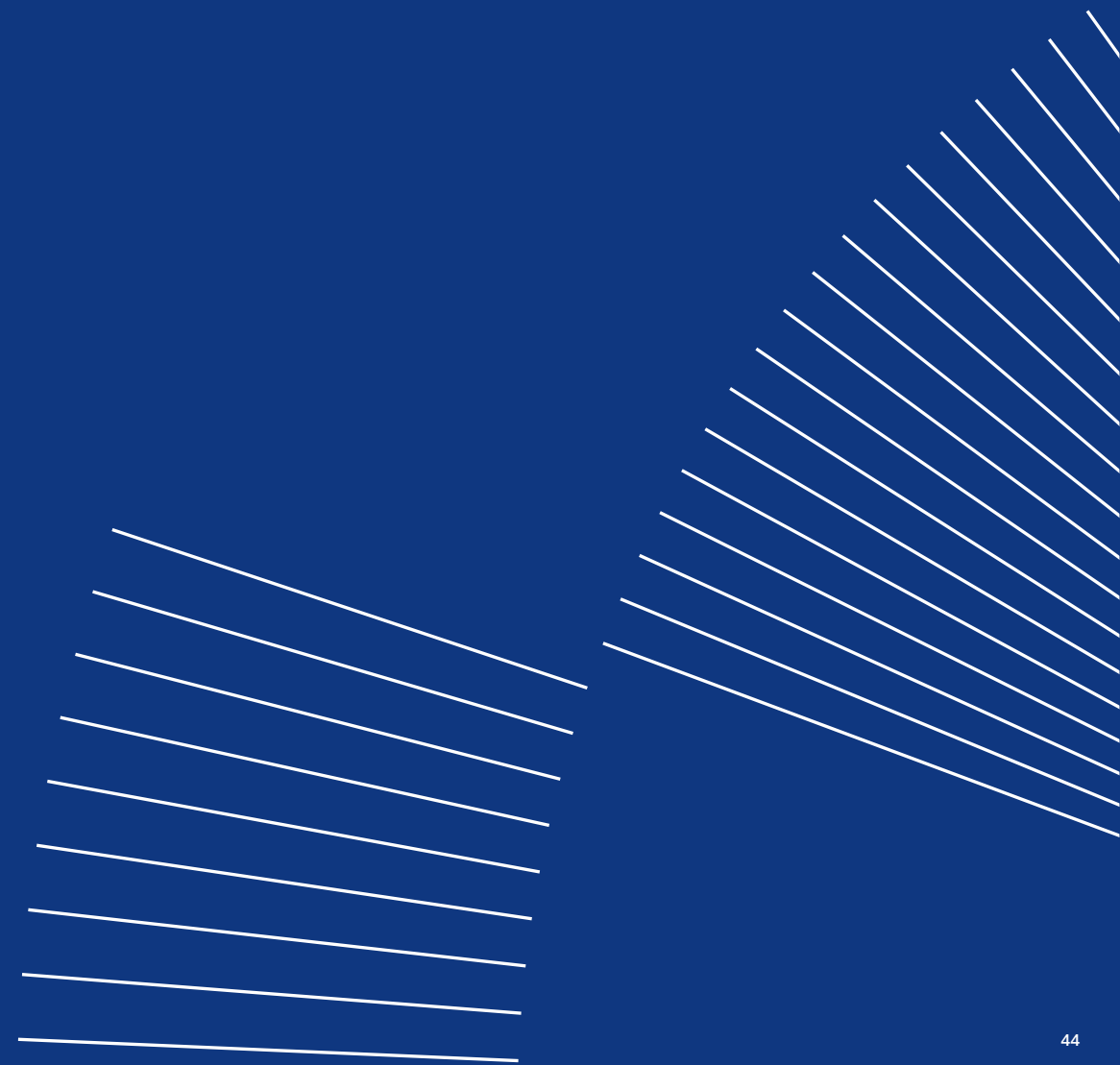
# Additional procedures for remote reviews

Where onsite verification is not possible, additional procedures may include:

- Contacting suppliers to confirm transactions
- Verifying authenticity of documents
- Cross-checking with independent sources
- Requesting additional supporting evidence

Remote verification requires a higher level of professional scepticism.

# Practical Lessons



# Common issues observed in practice

Across procurement reviews, the most frequent issues include:

- Weak or poorly applied procurement procedures
- Lack of transparency in supplier selection
- Incomplete or missing documentation
- Inadequate segregation of duties
- Failure to justify non-competitive procurement

These issues increase both error and fraud risk.

# Key takeaways

To strengthen procurement verification:

- Always follow the full procurement trail
- Focus on higher-risk transactions
- Ensure all key documents are reviewed
- Question inconsistencies and gaps
- Escalate concerns where necessary

Effective verification is not just about compliance — it is about protecting the integrity of UNHCR-funded activities.

# Questions and discussion



# Thank you

## PKF Littlejohn LLP

30 Churchill Place  
Canary Wharf Estate  
London  
E14 5RE  
Tel: +44 (0)20 7516 2200

11 York St  
Manchester  
M2 2AW  
Tel: +44 (0)161 552 4220

12 King Street  
Leeds  
LS1 2HL  
Tel: +44 (0)113 244 5141

### Get the latest

- ✕ @PKFLittlejohn
- in PKF Littlejohn
- © PKF.Littlejohn
- PKFLittlejohn\_earlycareers

This document is prepared as a general guide. No responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication can be accepted by the author or publisher. PKF Littlejohn LLP, Chartered Accountants. A list of members' names is available at 30 Churchill Place, London E14 5RE. PKF Littlejohn LLP is a limited liability partnership registered in England and Wales No. 0C342572. Registered office as opposite. PKF Littlejohn LLP is a member of PKF Global, the network of member firms of PKF International Limited, each of which is a separate and independent legal entity and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm(s).