



INTERNAL AUDIT DIVISION

REPORT 2016/086

Audit of management of construction activities and related processes in the Economic Commission for Africa

Overall results relating to the effective management of construction activities and related processes were initially assessed as partially satisfactory. Implementation of five important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

18 August 2016

Assignment No. AN2016/710/03

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AUDIT REPORT

Audit of management of construction activities and related processes in the Economic Commission for Africa

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of construction activities and related processes in the Economic Commission for Africa (ECA).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. There were four major construction activities being undertaken in ECA during the biennium 2014-2015. These included the New Office Facility with approved funding of \$15.3 million, internal access roads and parking facility budgeted at \$1.7 million, the New Office Facility ancillary projects (installation of generators, generator house, site lighting, sanitary works and interior partitions) budgeted at \$1.9 million and preparatory work for the renovation of Africa Hall budgeted at \$56.9 million. At the time of audit, the New Office Facility was substantially completed and occupied. The internal access roads, parking facility and installation of generators were also substantially completed as well as some of the preparatory work for the renovation of Africa Hall.
4. The Division of Administration (DOA) oversees the Facilities Management Section, which is responsible for construction activities, including capital projects and related processes such as routine maintenance of plant, equipment and buildings. A dedicated team was established to be responsible for the renovation of Africa Hall. The project manager is at the P-5 level, reporting to the DOA.
5. Comments provided by ECA and the Department of Management (DM) are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of ECA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of construction activities and related processes in ECA**.
7. The audit was included in the 2016 risk-based work plan of OIOS because of the financial and operational risks related to construction activities. In addition, the General Assembly emphasized in resolution 69/262 the need for OIOS to continue to provide oversight of construction projects at ECA, in particular, the renovation of Africa Hall and to continue to include information on key findings in the context of the annual reports of the Office. Further, in its report A/70/7/Add.21 to the General Assembly, the Advisory Committee on Administrative and Budgetary Questions recommended that the Assembly request the Secretary-General to entrust OIOS to examine whether the Financial Regulations and Rules and established procurement policies and procedures were complied with when constructing the internal access roads and parking facility in ECA, and to provide, in his next progress report, full details in this regard, including the accountability for such actions.

8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as one that provides reasonable assurance that policies and procedures: (i) exist to guide construction activities in ECA; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

9. The key control was assessed for the control objectives shown in Table 1.

10. OIOS conducted this audit from March to May 2016. The audit covered the period from January 2014 to March 2015.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

12. The ECA governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of construction activities and related processes in ECA**. OIOS made six recommendations to address the issues identified.

13. The agreement between ECA and a Road Authority in Ethiopia to construct internal access roads and parking facility was done without the approval of the Assistant Secretary-General for Central Support Services (ASG/OCSS). ECA therefore needed to seek his ex post facto review of the agreement and issue an internal memorandum to remind all staff involved in the procurement process to act within their delegated authority. To improve management and coordination of construction activities and related processes, ECA needed: (i) issue an internal memorandum to procurement officers reminding them to resubmit changes to awards recommended by the Headquarters Committee on Contracts (HCC) to the Committee for review before being effected; (ii) propose necessary adjustments to the staffing management plan for the renovation of Africa Hall to ensure that the skills gap identified in the project team is mitigated; (iii) finalize oversight arrangements for the renovation of Africa Hall; and (iv) seek appropriate delegation of financial and procurement authority to carry out the renovation.

14. The initial overall rating is based on the assessment of the key control presented in Table 1. The final overall rating is partially satisfactory as implementation of five recommendations remains in progress.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of construction activities and related processes in ECA	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

Regulatory framework

a. Internal access roads and parking facility

ECA entered into an agreement for the construction of internal access roads and parking facility without the approval of ASG/OCSS

15. The administrative instruction on delegation of authority under the Financial Regulations and Rules of the United Nations (ST/AI/2004/1) specifies that the authority to enter into cooperation agreements with a government or other organisations and institutions for procurement activities is with the ASG/OCSS.

16. The General Assembly decided in resolution 68/279 of 30 June 2014 that the third International Conference on Financing for Development would be held in Addis Ababa, Ethiopia from 13 to 16 July 2015 and welcomed the offer of the Government of Ethiopia to host it. The resolution also requested the Secretary-General to provide appropriate support to the Conference and to ensure efficient use of resources so that its objectives could be met. In February 2015, discussions were held at the highest level between the Host Country and ECA on preparation of the Conference venue.

17. At the same time these discussions were ongoing, ECA was in the middle of a procurement process to construct internal access roads on its premises. The procurement process resulted in only one technically acceptable bidder at a cost of \$1.4 million for the internal road network to be completed six months after signing the contract. If this offer had been accepted, it would have meant that it would only be completed after the Conference dates in mid-July 2015. In addition, the bidder had previously undertaken works on the New Office Facility and ancillary projects in ECA and the performance was rated as below standard. Therefore, ECA was reluctant to proceed further with the procurement process as it was of the view that it had not yielded satisfactory results in terms of timing for the Conference and best interest of the Organization.

18. As a result, the Host Country offered the services of a Road Authority to assist with the completion of the internal roads and walkways and cobble-stoning of the adjacent car park. The Host Country also wanted to use the new car park as an Ethiopian village for delegates to view Ethiopian culture.

19. With advice from the ECA Legal Office and on the understanding that this was in collaboration with the host of the Conference, ECA agreed that the construction services would be acquired through an exchange of letters between ECA and the Road Authority. The Legal Office noted that the procurement modality of a “Letter of Assist” only applied to peacekeeping missions and was of the opinion that the

agreement was not a procurement process but cooperation between ECA and the Host Country as an implementing partner. Therefore, according to ECA, the issue of seeking the authority of the ASG/OCSS, as per Financial Rule 105.17 (b), which states that, “the Under-Secretary-General for Management may, to the extent authorized by the General Assembly, cooperate with a Government, non-governmental organization or other public international organization in respect of procurement activities and, as appropriate, enter into agreements for such purposes”, did not arise.

20. The exchange of letters between the Road Authority and ECA was signed on 21 May 2015 for a value of Ethiopian Birr 35,028,199 (approximately \$1,750,000). It required the Road Authority to procure the services of a company to execute the road project subject to a no objection by ECA.

21. OIOS reviewed the agreement between ECA and the Road Authority to ascertain whether or not it was equivalent to a procurement contract. OIOS relied on Financial Rule 105.18 (a), which states that, “written contracts shall be used to formalise every procurement action with a monetary value exceeding specific thresholds established through the Financial Regulations and Rules by the Under-Secretary-General for Management. Such arrangements shall, as appropriate, specify in detail:

- i) The nature of the products or services being procured;
- ii) The quantity being procured;
- iii) The contract or unit price;
- iv) Period covered;
- v) Conditions to be fulfilled;
- vi) Terms of delivery and payment; and
- vii) Nature and address of supplier.”

22. OIOS established that elements i) to vii) were present in the agreement signed between ECA and the Road Authority and therefore, the Financial Regulations and Rules on procurement should have been applied. ASG/OCSS also confirmed that the agreement was a procurement action requiring adherence to the Financial Regulations and Rules on procurement.

23. Notwithstanding the approval process of the agreement, the internal access roads and parking facility were ready for the Conference in July 2015 and the works were performed as agreed. The Road Authority carried out a competitive procurement process in which two bids were submitted and the lower bidder was awarded the contract to perform the works. The contract amount for the works mirrored the original estimates by the Road Authority consultants and agreed by ECA engineers. Payments to the Road Authority were based on certified bills of quantities as agreed in the contract.

24. However, ECA should have sought the authority of ASG/OCSS before signing the exchange of letters. This authority was necessary given that ASG/OCSS had not sub-delegated authority to the ECA DOA to enter into an agreement with a Government, non-governmental organization or other public international organization in respect of procurement activities.

(1) ECA should seek ex post facto review by the Assistant Secretary-General for Central Support Services of the exchange of letters signed with a Road Authority in Ethiopia to procure services to perform construction works.

ECA accepted recommendation 1 and stated that it had submitted an ex post facto case which was reviewed by HCC on 13 July 2016 and its minutes approved by ASG/OCSS on 19 July 2016. DM confirmed its agreement with these comments. Based on the action taken by ECA, recommendation 1 has been closed.

(2) ECA should issue an internal memorandum to remind all staff members involved in the procurement process to act within their delegated authority in order to maintain the controls in the process and to consult with the Assistant Secretary-General for Central Support Services on procurement actions that may exceed the delegated procurement authority.

ECA accepted recommendation 2 and stated that the DOA would issue an internal memorandum to remind all staff members involved in the procurement process to act within their delegated authority and to consult with ASG/OCSS on procurement actions that may exceed their delegated procurement authority. DM confirmed its agreement with these comments. Recommendation 2 remains open pending receipt of a copy of the internal memorandum.

Closure of the internal access roads and parking facility projects was proceeding as intended

25. According to article 12 (e) of the exchange of letters between ECA and the Road Authority, on completion of the works, ECA shall release the outstanding 50 per cent of contract costs to the Road Authority upon issuance of a substantial completion certificate, which will include a listing of elements of the works to be performed during the 12-month defect liability period.

26. A listing of residual elements of the works still to be performed by the contractor (a punch list) was prepared on 23 October 2015 following a joint site visit by consulting engineers, the Road Authority, the contractor and ECA. The punch list consisted of 79 defects that were valued at Ethiopian Birr 624,052 (approximately \$30,000) which was less than 2 per cent of the contract sum. This punch list was required to be cleared before expiry of the one year warranty period and release of the 2.5 per cent retention amount. The punch list items were still outstanding in April 2016, two months after declaring that works were substantially completed on 12 February 2016. However, since the liability period will only expire in February 2017 and ECA was holding Ethiopian Birr 723,089 (approximately \$34,764) as retention which could be used to defray costs of clearing punch list items should the contractor default, OIOS did not make a recommendation on the matter.

b. New Office Facility ancillary projects and related activities

Need to resubmit awards modified after HCC approval

27. The Procurement Manual requires HCC recommendation and ASG/OCSS approval for any proposed amendment or modification of a contract award previously reviewed by HCC where such amendment would significantly affect the procurement process that led to the original award, the criteria on which the original award was made, or the original contractual terms.

28. Upon review and endorsement by HCC, the ASG/OCSS, in January 2013, approved the proposed split award of works relating to the ECA New Office Facility ancillary projects to two construction companies. For operational reasons, ECA subsequently proposed to switch responsibility for constructing part of the works from one company to another at a potential additional cost of \$72,454. The Local Committee on Contracts approved the switch and highlighted the need to inform HCC of it and further recommended that ECA should try to renegotiate the price downwards.

29. ECA negotiated a price reduction of approximately \$8,000; however, it did not refer the modification of the award to HCC as ECA assumed that the change was within the threshold of its delegated authority. OIOS is of the view that since the switch involved changes to the original award approved by HCC, the matter should have been re-presented to HCC as recommended by the Local Committee on Contracts.

(3) ECA should issue an internal memorandum to all procurement officers reminding them of the requirement in the Procurement Manual to resubmit changes to awards recommended by the Headquarters Committee on Contracts to the Committee for review before being effected.

ECA accepted recommendation 3 and stated that it would issue an interoffice memorandum to all relevant procurement unit staff to ensure that the recommendation was put into practice. DM confirmed its agreement with these comments. Recommendation 3 remains open pending receipt of a copy of the memorandum advising all relevant procurement unit staff to ensure changes to awards already recommended by HCC are resubmitted for review.

Need for guidelines on utilization and management of contingency allowance in construction projects

30. Contingency allowance is a predetermined amount or percentage of a contract held for unpredictable changes to a project. Use of the contingency allowance should be based on specified criteria.

31. A contract for the provision of renovation and interior design on the ninth floor executive offices and the ground lobby was signed at a value of \$198,000. The contract amount did not disclose separately the contingency amount of \$14,323, equivalent to 8 per cent of the estimated costs as detailed in the contractor's proposal. The payment schedule in the contract was inclusive of the contingency allowance. The standard practice in construction activities is for the contingency to be shown separately and managed in accordance with the original intent of addressing unpredictable changes in the project. Consequently, the contingency allowance was added to the project scope without justification for its utilization. OIOS noted that OCSS has since issued guidelines for construction projects that include modalities on the use of contingency allowances; therefore, no recommendation was made on this issue.

c. Renovation of Africa Hall

The staffing plan and distribution of functions for the renovation of the Africa Hall needed review

32. In accordance with guidelines for the management of construction projects in the United Nations Secretariat, a dedicated project management team with the right competencies should be established and funded using necessary project resources.

33. According to the Secretary-General's report dated 27 August 2014 on the programme budget for the biennium 2014-2015 (A/69/359), the project owner for the renovation of Africa Hall is the Executive Secretary, while the DOA will act as project director. The project will be executed by a Project Manager at the P-5 level. Seven other temporary posts were approved by the General Assembly in the programme budget for the biennium 2016-2017, to be filled by the third quarter of 2016. These include a Project Architect/Engineer (P-4), three National Professional Officers, and three local level staff (Administrative Assistant, Finance Assistant and a Logistics/Shipment Assistant). The Project Manager and the Administrative Assistant are already on board. The rest of the posts have been advertised and recruitment was underway at the time of audit.

34. OIOS reviewed the composition of the project team and concluded that the distribution of functions may not be optimal. For example, one supervisor for both electrical and mechanical areas may not provide the required specialized knowledge and expertise to supervise these distinct fields. Similarly, architectural and civil engineering are distinct fields requiring specialization.

35. Moreover, two other major functions had not been incorporated as separate competencies in the project team: administration, communications and programme support; and legal services. The administration, communications and programme support role is responsible for project planning, funding arrangements and drafting of progress reports of the Secretary-General to the General Assembly on an annual basis, to inform Member States of project progress.

36. The restriction of engineering supervisory functions to national professional officers could limit the pool of potential applicants, some of whom may have obtained valuable experience in other United Nations construction activities such as the Capital Master Plan at United Nations Headquarters in New York. However, since the General Assembly encouraged the Secretary-General to include “local knowledge and capacity throughout the implementation of the construction projects”, OIOS did not make a recommendation regarding this restriction.

(4) ECA should, in conjunction with OCSS, clarify in the staffing management plan for the renovation of Africa Hall how: (i) the potential skills gap resulting from the combination of various engineering disciplines would be mitigated; and (ii) functions such as administration, communications, programme support and legal services not currently catered for will be provided to ensure successful delivery of the project.

ECA accepted recommendation 4 and stated that it would, in conjunction with OCSS, propose necessary adjustments to both the corporate and project governance structures as appropriate, to ensure that the skills gap identified in this recommendation is mitigated. Recommendation 4 remains open pending receipt of the updated staffing management plan clarifying how the potential skills gap would be mitigated.

Oversight arrangements for the renovation of Africa Hall needed to be finalised before commencement of construction

37. In accordance with guidelines for the management of construction projects, respective roles and responsibilities of Headquarters and offices away from Headquarters during project phases, including advisory/oversight committees, should be outlined during the initial phase of the project.

38. Oversight arrangements for the renovation of Africa Hall were at the preliminary stages of development even though crucial stages of the project had been completed. At the time of audit, stage 1 (preparation and business case) and stage 2 (concept and design development) of the project had been completed. The purchase order for milestone 1 of stage 3 (production information and tender documentation) had been issued and the contract for the rest of stage 3 as well as stages 4 (actual construction work) and 5 (project closeout) was under negotiation. As of April 2016, adequate oversight arrangement had not yet been implemented as summarized below:

- a. The respective roles and responsibilities of ECA and OCSS, which was mandated to ensure central supervision of capital projects, were not clearly spelt out in an administration and coordination agreement. ECA management reported that the agreement was being drafted and was expected to be signed in the second quarter of 2016.
- b. ECA anticipated that a Stakeholders Committee would be constituted in the second quarter of 2016. Its terms of reference were being drawn up during April 2016. In addition, OCSS and ECA agreed to establish an independent and impartial advisory board for the project as encouraged by General Assembly resolution 70/248. OCSS and ECA are aiming to finalize and publish the full governance structure in the second quarter of 2016. For this purpose, discussions were ongoing between the Executive Secretary and ASG/OCSS to exchange

views and provide further guidance particularly on the roles of the Stakeholders Committee, risk management consultant and the Advisory Board in the governance structure.

- c. ECA submitted a request for expression of interest to hire a risk management firm to the Procurement Division in April 2016. Draft terms of reference for risk management had been developed, and at a joint meeting between ECA and OCSS, it was agreed that the independent risk manager would report to OCSS. The risk management framework would include the development and use of a risk register, and a risk-based approach to establish and manage contingency provision.

39. The oversight functions such as the Stakeholder Committee and the risk management framework should have been put in place at the preparatory stage of the renovations so that they could provide input into the business case and design development and offer additional guidance on the project cost, schedule, and construction strategy. However this was not possible without the completion of the administration and coordination agreement with OCSS where roles and responsibilities will be firmed up. There was therefore a risk that the project may not be implemented effectively due to absence of timely and adequate oversight at the planning phase.

(5) ECA should, in conjunction with OCSS, finalize oversight arrangements for the renovation of Africa Hall before commencement of construction. This includes: (i) issuance of the administration and coordination agreement and terms of reference of the Stakeholder Committee; (ii) appointment of members of the Advisory Board; and (iii) development of a risk management framework.

ECA accepted recommendation 5 and stated that all relevant documents have been agreed and are under final revision by the principals. DM confirmed its agreement with these comments. Recommendation 5 remains open pending conclusion of the finalized oversight arrangements for the renovation of Africa Hall.

Need to seek appropriate delegation of financial and procurement authority

40. General Assembly resolution 69/262 requested the Secretary-General to ensure robust internal project control mechanisms in the context of the scope, cost, schedule and quality of the Africa Hall renovation project. Subsequently, in a Note to the Executive Secretary dated 17 February 2016 ASG/OCSS advised, among other things, that consideration be given, prior to the commencement of construction, to develop processes for reviewing contract amendments and construction change orders so that these do not present a risk to the project schedule. These processes should include, inter alia, appropriate delegation(s) of financial and procurement authority.

41. For the Capital Master Plan at United Nations Headquarters in New York, the Executive Director of the implementing office was delegated additional procurement authority to facilitate operations. Similarly, the project owner for the renovation of Africa Hall should request ASG/OCSS to review the project procurement officer's delegation of authority for revision as appropriate, taking into account local conditions and competence of procurement staff.

42. As the contract for stages 3, 4 and 5 of the project is being reviewed and it is anticipated that a request for expression of interest for the construction manager will be issued, there is a need to ensure that appropriate delegation of financial and procurement authority is obtained to ensure an efficient and effective delivery of the project.

(6) ECA should seek appropriate delegation of financial and procurement authority to minimize the risk of delays with the project schedule for the renovation of Africa Hall.

ECA accepted recommendation 6 and stated that it would request for increased delegation of financial and procurement authority with respect to change orders for the Africa Hall renovation project. DM confirmed its agreement with these comments. Recommendation 6 remains open pending receipt of evidence that a request has been submitted for appropriate delegation of financial and procurement authority for the renovation of Africa Hall.

IV. ACKNOWLEDGEMENT

43. OIOS wishes to express its appreciation to the management and staff of ECA and DM for the assistance and cooperation extended to the auditors during this assignment.

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

**Audit of management of construction activities and related processes in the
Economic Commission for Africa**

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	ECA should seek ex post facto review by the Assistant Secretary-General for Central Support Services of the exchange of letters signed with a Road Authority in Ethiopia to procure services to perform construction works.	Important	C	Action taken	Implemented
2	ECA should issue an internal memorandum to remind all staff members involved in the procurement process to act within their delegated authority in order to maintain the controls in the process and to consult with the Assistant Secretary-General for Central Support Services on procurement actions that may exceed the delegated procurement authority.	Important	O	Submission of the internal memorandum issued to remind all staff members involved in the procurement process to act within their delegated authority.	31 October 2016
3	ECA should issue an internal memorandum to all procurement officers reminding them of the requirement in the Procurement Manual to resubmit changes to awards recommended by the Headquarters Committee on Contracts to the Committee for review before being effected.	Important	O	Submission of the interoffice memorandum issued to relevant procurement to ensure that the recommendation is put into practice.	31 October 2016
4	ECA should, in conjunction with OCSS, clarify in the staffing management plan for the renovation of Africa Hall how: (i) the potential skills gap resulting from the combination of various engineering disciplines would be mitigated; and (ii) functions such as administration, communications,	Important	O	Submission of the updated staffing management plan for the renovation of Africa Hall clarifying how potential skills gap would be mitigated.	31 October 2016

² Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

³ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by ECA and the Department of Management in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
	programme support and legal services not currently catered for will be provided to ensure successful delivery of the project.				
5	ECA should, in conjunction with OCSS, finalize oversight arrangements for the renovation of Africa Hall before commencement of construction. This includes: (i) issuance of the administration and coordination agreement and terms of reference of the Stakeholder Committee; (ii) appointment of members of the Advisory Board; and (iii) development of a risk management framework.	Important	O	Submission of details of the final oversight arrangements for the renovation of Africa Hall.	31 October 2016
6	ECA should seek appropriate delegation of financial and procurement authority to minimize the risk of delays with the project schedule for the renovation of Africa Hall.	Important	O	Submission of a request for appropriate delegation of financial and procurement authority for the renovation of Africa Hall.	31 October 2016

APPENDIX I

Management Response



United Nations
Economic Commission for Africa

INTEROFFICE MEMORANDUM — MEMORANDUM INTERIEUR

To: Ms. Muriette Lawrence-Hume, Chief
New York Audit Service, Internal Audit Division
OIOS

Date: 11 August 2016
Ref.: SPOQD/16/08/0224

From: Ingrid Cyimana, Director
Strategic Planning and Operational Quality Division

Subject: **Draft report on an audit of management of construction activities and related processes in the Economic Commission for Africa (Assignment No. AN2016/710/03)**

Reference is made to the interoffice memo dated 2 August 2016 on the above subject.

ECA agrees to the Department of Management's request to change our comments regarding recommendation 4, which will now be read as:

"ECA will, in conjunction with OCSS, propose necessary adjustments to both the corporate and project governance structures as appropriate, to ensure that the skills gap identified in this recommendation is filled."

Please find attached the revised management response incorporating the agreed change.

ECA would like to thank the auditors for their professionalism and support rendered during the conduct of the audit.

Thank you.

Cc: Ms. Giovanie Biha, Deputy Executive Secretary- Knowledge Delivery, ECA
Mr. Carlos Haddad, Director, Division of Administration, ECA
Mr. Tilchand Acharya, Chief, Field Audit Section, IAD-OIOS

TO: Ms. Muriette Lawrence-Hume, Chief, New York Audit Service DATE: 2 August 2016
A: Internal Audit Division, Office of Internal Oversight Services

THROUGH: Christian Saunders, Director
S/C DE: Office of the Under-Secretary-General for Management

FROM: Mario Baez, Chief, Policy and Oversight Coordination Service
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on an audit of management of construction activities and related**
OBJET: **processes in the Economic Commission for Africa (Assignment No. AN2016/710/03)**

1. We refer to your memorandum dated 1 July 2016 regarding the above subject draft report and the responses submitted to your office by ECA dated 8 July 2016.

2. The Department of Management agrees with ECA's comments on recommendations 1, 2, 3, 5 and 6. Regarding recommendation 4, the Department of Management requests the client comments to be changed, as follows:

“ECA will, in conjunction with OCSS, propose necessary adjustments to both the corporate and project governance structures as appropriate, to ensure that the skills gap identified in this recommendation is filled.”

3. Thank you for giving us the opportunity to provide comments on the draft report.

16-01775
3 Aug 2016

Management Response

Audit of the management of construction activities and related processes in the Economic Commission for Africa

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	the renovation of Africa Hall how: (i) the potential skills gap resulting from the combination of various engineering disciplines would be mitigated; and (ii) functions such as administration, communications, programme support and legal services not currently catered for will be provided to ensure successful delivery of the project.			Administration and Africa Hall Project Manager- Carlos Haddad and Antonio Baio		both the corporate and project governance structures as appropriate, to ensure that the skills gap identified in this recommendation is filled
5	ECA should, in conjunction with OCSS, finalize oversight arrangements for the renovation of Africa Hall before commencement of construction. This includes: (i) issuance of the administration and coordination agreement and terms of reference of the Stakeholder Committee; (ii) appointment of members of the Advisory Board; and (iii) development of a risk management framework.	Important	Yes	ES, CoS, DoA, Chief/OPMU and ASG/OCSS	31 October 2016	All relevant documents have been agreed and are under final revision by the Principals
6	ECA should seek appropriate delegation of financial and procurement authority to minimize the risk of delays with the project schedule for the renovation of Africa Hall.	Important	Yes	Director, Division of Administration – Carlos Haddad	31 October 2016	ECA will request for increased delegation of financial and procurement authority in respect to change orders for the Africa Hall renovation project.

Management Response

Audit of the management of construction activities and related processes in the Economic Commission for Africa

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ECA should seek ex post facto review by the Assistant Secretary-General for Central Support Services of the exchange of letters signed with a Road Authority in Ethiopia to procure services to perform construction works.	Important	Yes	Chief Supply Chain Management Section – George Ogboro	Action already taken.	ECA Submitted an ex-post facto case which was reviewed by HCC ON 13 July 2016 and its minutes approved by ASG/OCSS on 19 July 2016.
2	ECA should issue an internal memorandum to remind all staff members involved in the procurement process to act within their delegated authority in order to maintain the controls in the process and to consult with the Assistant Secretary-General for Central Support Services on procurement actions that may exceed the delegated procurement authority.	Important	Yes	Director of Administration – Carlos Haddad	31 October 2016	ECA Director of Administration will issue an internal memorandum to remind all staff members involved in the procurement process to act within their delegated authority in order to maintain the controls in the process and to consult with the Assistant Secretary-General for Central Support Services on procurement actions that may exceed the delegated procurement authority.
3	ECA should issue an internal memorandum to all procurement officers reminding them of the requirement in the Procurement Manual to resubmit changes to awards recommended by the Headquarters Committee on Contracts to the Committee for review before being effected.	Important	Yes	Chief Supply Chain Management Section – George Ogboro	31 October 2016	ECA will issue an interoffice memorandum to all relevant procurement unit staff to ensure it is put into practice.
4	ECA should, in conjunction with OCSS, clarify in the staffing management plan for	Important	Yes	Director, Division of	31 October 2016	ECA will, in conjunction with OCSS, propose necessary adjustments to

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.