



INTERNAL AUDIT DIVISION

REPORT 2014/106

Audit of engineering projects in the United Nations Assistance Mission for Iraq

Overall results relating to the effective management of engineering projects in the United Nations Assistance Mission for Iraq were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

5 November 2014
Assignment No. AP2013/812/05

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	1-2
III. AUDIT RESULTS	2-4
Regulatory framework	3-4
IV. ACKNOWLEDGEMENT	4
ANNEX I Status of audit recommendations	
APPENDIX 1 Management response	

AUDIT REPORT

Audit of engineering projects in the United Nations Assistance Mission for Iraq

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of engineering projects in the United Nations Assistance Mission for Iraq (UNAMI).
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. The UNAMI Engineering and Building Management Section (EBMS) was responsible for the effective and efficient planning, management, refurbishment, maintenance, and operation of United Nations premises in the Mission. It was also responsible for: (a) addressing increased accommodation demands in Baghdad due to the crisis in Syria; (b) handling the continuous expansion of offices and accommodation in Kirkuk and Erbil; and (c) providing engineering works to the Baghdad International Airport.
4. EBMS was headed by an Officer-in-Charge at the P-3 level who reported to the Chief Mission Support through the Chief Technical Services. EBMS had three major units namely: Planning, Design and Construction Monitoring; Asset Management; and Building Management, which operated from Baghdad and four regional offices in the Baghdad International Airport, Erbil, Kirkuk and Kuwait. The Engineering Section had 57 authorized posts, comprising 9 international and 48 national positions. The estimated staff costs for 2013 was \$3.7 million.
5. Table 1 shows the expenditure for engineering projects in 2012 and 2013.

Table 1: Expenditure for engineering projects

Description	2012	2013
Construction Services	\$438,450	\$498,540
Alterations and improvements	1,654,532	3,019,059
Total	\$2,092,982	\$3,517,599

Source: UNAMI financial statements

6. Comments provided by UNAMI are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNAMI governance, risk management and control processes in providing reasonable assurance regarding the **effective management of engineering projects in UNAMI**.
8. The audit was included in the 2013 OIOS risk-based work plan due to: (a) an unsatisfactory rating in the previous OIOS report, dated 29 November 2012, on an audit of engineering projects in UNAMI;

(b) a request by the UNAMI management for a follow-up audit; and (c) the financial and operational risks relating to the management of engineering projects.

9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of engineering projects; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.

10. The key control was assessed for the control objectives shown in Table 2.

11. OIOS conducted the audit from August to November 2013. The audit covered the period from 1 January 2012 to 31 August 2013 and reviewed 22 ongoing and completed projects totaling \$3.3 million out of 24 projects totaling \$3.5 million.

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

III. AUDIT RESULTS

13. The UNAMI governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of engineering projects in UNAMI**. OIOS made two recommendations to address the issues identified. EBMS had developed work plans and there was adequate segregation of functions in the implementation of engineering projects. Additionally, the Section monitored and obtained performance bonds from contractors as stipulated in contracts. However, UNAMI needed to: (a) improve management oversight of engineering projects; and (b) establish a mechanism to measure the performance of the Engineering Section.

14. The initial overall rating was based on the assessment of key control presented in Table 2 below. The final overall rating is **partially satisfactory** as implementation of two important recommendations remains in progress.

Table 2: 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 engineering projects in UNAMI	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

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.

Regulatory framework

Management oversight capabilities needed to be strengthened

15. In a previous 2012 audit of the management of engineering projects in UNAMI, OIOS identified lax management oversight of projects which resulted in several instances of poor project identification and scheduling and overpayments totaling \$632,992 to two vendors, of which \$524,000 was subsequently recovered. UNAMI did not establish the Project Management Committee that was recommended by the 2012 audit, or another forum for ensuring adequate management oversight of engineering projects. Additionally, UNAMI redeployed the contracts management post to the Human Resources Unit and therefore no staff was assigned to independently manage and monitor contracts and perform reporting, tracking and analysis of contracts. As a result, UNAMI engineering projects continued to have cost overruns averaging at 5 per cent of the initial budgets. Furthermore, milestones were not achieved as the completion of 22 projects was delayed by an average of two months compared to the deadlines prescribed in relevant contracts.

(1) UNAMI should expedite the recruitment of a contract manager and establish a Project Management Committee or other forum to ensure that there is adequate management oversight of engineering projects.

UNAMI accepted recommendation 1 and stated that it was in the final stage of recruiting a contract management officer. Recommendation 1 remains open pending receipt of evidence that adequate oversight structures of engineering projects have been established.

Mission-specific procedures and guidelines were finalized

16. UNAMI was required to develop guidelines and procedures for staff carrying out their day-to-day activities. UNAMI utilized the Department of Field Support (DFS) Engineering Manual and the United Nations Standard Cost Manual to guide engineering activities in the Mission.

17. At the time of the audit, UNAMI had a draft Operations Guide for EBMS that was to be finalized once it incorporated changes proposed by DFS. As a result of inadequate guidelines, UNAMI implemented different practices across various Mission locations, impeding effective review and analysis of projects. For example, a review of 22 of 24 projects (8 in Baghdad, 7 in the Baghdad International Airport, 1 in Kuwait, 2 in Erbil and 4 in Kirkuk) indicated: (a) only project files in Baghdad had standard index log sheets to ensure the completeness of project documentation from planning to close-out stage; (b) six files of completed projects totaling \$954,057 did not have minutes of kick-off meetings, project schedules and inspection sheets; and (c) the timing was inconsistent for the preparation of contractor performance reports, which was used to notify the Finance Section to release the 10 per cent retention to contractors. However, subsequent to the audit, UNAMI finalized its Operations Guide for EBMS. Due to the action taken, OIOS did not make a recommendation.

Implementation of work plans needed to be strengthened

18. The United Nations results-based budgeting process required sections/units to develop work plans and establish a monitoring system to measure and report on performance.

19. EBMS had developed individual and section work plans for 2012 and 2013 but had not established a performance monitoring system to ensure systematic collation of data and assessment and

reporting of its performance based on established success criteria. The lack of information on the performance of the Section precluded Management from obtaining an accurate assessment of the management of engineering projects.

(2) UNAMI should establish a performance monitoring system for measuring and reporting on the work and achievements of the Engineering and Building Management Section.

UNAMI accepted recommendation 2 and stated that EBMS reported regularly the progress of work, and recently included on project close-out reports whether project milestones were achieved, the reasons for not achieving them and remedial measures taken. EBMS had also initiated a self-review of performance to improve its efficiency and effectiveness in managing engineering projects. Recommendation 2 remains open pending receipt of evidence showing implementation of actions taken to improve the monitoring of engineering projects.

Functions were properly segregated with respect to the engineering projects reviewed

20. The Procurement Manual required segregation of the roles of requisitioners and approving officers. A review of 22 projects indicated that the roles of the requisitioner, project engineer and certifying officer were independent of each other to ensure transparency in managing projects. OIOS concluded that engineering functions were properly segregated.

Required performance bonds were consistently obtained from vendors

21. The Procurement Manual required a security instrument as a source of compensation in the event of a vendor's failure to perform its obligations under a contract. The UNAMI Procurement Section had established a database to track all contracts that included a provision for performance security. Contractors submitted performance bonds in accordance with contract provisions for the 20 projects that required a performance bond from the period 1 January 2012 to 31 August 2013. OIOS concluded that adequate procedures for consistently obtaining performance bonds were in place.

IV. ACKNOWLEDGEMENT

22. OIOS wishes to express its appreciation to the Management and staff of UNAMI for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of engineering projects in the United Nations Assistance Mission for Iraq

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNAMI should expedite the recruitment of a contract manager and establish a Project Management Committee or other forum to ensure that there is adequate management oversight of engineering projects.	Important	O	Receipt of evidence that adequate oversight structures of engineering projects have been established.	First quarter of 2015
2	UNAMI should establish a performance monitoring system for measuring and reporting on the work and achievements of the Engineering and Building Management Section.	Important	O	Receipt of evidence showing implementation of actions taken to improve the monitoring of engineering projects.	First quarter of 2015

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

³ C = closed, O = open

⁴ Date provided by UNAMI in response to recommendations.

APPENDIX I

Management Response

UNCLASSIFIED

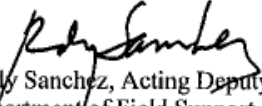
Routine

TO: Ms. Eleanor Burns, Director,
A: Internal Audit Division, OIOS

DATE: OCT 21 2014

THROUGH:
S/C DE:

REFERENCE: UNHQ-AR-B01-RS-
3-2014-6233


FROM: Rudy Sanchez, Acting Deputy to the USG
DE: Department of Field Support

SUBJECT: AP2013/812/05 - Audit of engineering projects in UNAMI
OBJET:

1. I refer to your memorandum dated 31 July 2014 regarding the above-mentioned audit. We note that OIOS has taken into account the comments provided by UNAMI. The Department is providing additional comments on the recommendations in the enclosed matrix. In formulating our response, we have conferred with the respective officials in UNAMI and their comments, where appropriate, have been incorporated in this reply.
2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Ms. Haseena Yasin
Ms. Cynthia Avena-Castillo

Management Response

Audit of engineering projects in the United Nations Assistance Mission for Iraq

Rec. no.	Recommendation	Critical/ ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNAMI should expedite the recruitment of a contract manager and establish a Project Management Committee or other forum to ensure that there is adequate management oversight of engineering projects.	Important	Yes	Chief of Mission Support, UNAMI	First quarter of 2015	UNAMI is in the final stage of recruiting a Contract Management Officer. The anticipated completion date is the first quarter of 2015.
2	UNAMI should establish a performance monitoring system for measuring and reporting on the work and achievements of the Engineering and Building Management Section.	Important	Yes	Chief of Mission Support, UNAMI	First quarter of 2015	The Engineering and Building Management Section (EBMS) reports on a regular basis the progress of work emphasizing among other things the process, issues and challenges affecting the successful completion of the projects. EBMS has recently included in its project close-out report the achievement/ non-achievement of project milestones, the reasons thereof and the remedial measures taken. The Section has also initiated a self- review of performance, based on the action plan submitted to the Chief of Technical Services, to improve its efficiency and effectiveness in management of engineering projects.

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.