



INTERNAL AUDIT DIVISION

REPORT 2022/022

The construction contract for the main works was successfully concluded with notable value engineering aspects, although currency fluctuations and staff costs if not contained may push the budget beyond the amounts authorized by the General Assembly

17 June 2022

Assignment No. AN2022-740-01

Audit of the seismic mitigation retrofit and life-cycle replacements project in the Economic and Social Commission for Asia and the Pacific

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the seismic mitigation retrofit and life-cycle replacements project (SMP) in the Economic and Social Commission for Asia and the Pacific (ESCAP). The objective of the audit was to determine whether ESCAP internal controls over the SMP were implemented effectively to ensure timely completion of the project within the scope and budget approved by the General Assembly. The audit covered the period from March 2021 to February 2022 and included: (a) project management, (b) procurement activities; and (c) project governance and oversight mechanisms.

The construction contract for the main works was successfully concluded and preliminary construction activities have started. The swing space was handed over to the Facilities Management Unit. While the construction contract incorporated notable value engineering aspects, there were cost overruns for professional services and project management that were being funded from contingency, which, according to best industry practice, should be reserved for construction-related eventualities. All contracts were denominated in Thai Baht, and there was a risk that currency fluctuations may contribute to push costs beyond the approved budget. Resource mobilization efforts were ongoing, but there were no new contributions during the year. Late submissions of project biannual reports by the independent risk management firm were not enhancing risk management, and minutes of the Stakeholders' Committee indicated that insufficient attention was being given to voluntary contributions and risk management. In addition, various project documentations and lessons learned activities needed to be completed for use in future major construction projects.

OIOS made five recommendations. To address issues identified in the audit, ESCAP needed to:

- Propose a revision of the project budget to cater for known increases in staff costs in the Secretary-General's reports to the General Assembly;
- Ensure adherence to the timelines for the issuance and transmittal of biannual reports on the project;
- Document lessons learned from the probity monitor assurance exercise for use in future major construction projects;
- Prepare an archiving plan for the retention of records unique to the project, to support future maintenance operations; and
- Ensure that the Stakeholder Committee includes on its agenda guidance on seeking voluntary contributions from Member States and updates on risk management and related mitigation measures.

ESCAP accepted the recommendations and has initiated action to implement them.

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Audit of the seismic mitigation retrofit and life-cycle replacements project in the Economic and Social Commission for Asia and the Pacific

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the seismic mitigation retrofit and life-cycle replacements project (SMP) in the Economic and Social Commission for Asia and the Pacific (ESCAP).

2. The project was approved by the General Assembly in December 2016 through resolution 71/272 to ensure the health and safety of staff, delegates and visitors at the Commission’s premises in Bangkok. It involves: (a) retrofitting the ESCAP secretariat and service buildings to mitigate against seismic risks; (b) updating building life-safety systems to meet current standards; and (c) replacing systems that have reached the end of their useful lives. The project is also expected to result in energy and space efficiency, as well as improved accessibility.

3. The approved project budget is \$40 million, including a compounded escalation provision of \$3.9 million and a contingency reserve of \$3.2 million¹. A total of \$22.1 million was appropriated for the project from 2017 to 2021, of which cumulative expenditure amounted to \$12.6 million by February 2022. Construction is expected to be completed on schedule in 2023, despite delays including those caused by the cancellation in 2019 of the tender for the main construction contract and the impact of the coronavirus disease (COVID-19) pandemic.

Table 1: Revised cost plan – 2017-2023 (in thousands of United States dollars)

<i>Year</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>Total</i>
Section 33								
Construction costs	-	-	1 536	1 013	5 638	8 478	8 151	24 816
Professional services	462	1 431	296	336	723	761	401	4 411
Escalation	-	-	-	-	704	1 516	1 669	3 889
Contingency	-	-	23	-	706	490	296	1 515
Subtotal	462	1 431	1 855	1 349	7 771	11 246	10 517	34 947
Section 19								
Project management	514	749	930	1 009	903	934	348	5 388
Grand Total	976	2 180	2 785	2 359	8 674	12 180	10 865	40 019

4. The Executive Secretary of ESCAP is the SMP owner with overall accountability for the project. The SMP owner designated the ESCAP Director of Administration as the project executive to oversee all strategic and operational issues related to the project. ESCAP also established a Stakeholders’ Committee to support project governance, and a Change Control Board to review and approve change requests.

5. The Global Asset Management Policy Service (GAMPS) in the Department of Management Strategy, Policy and Compliance provides additional support, in particular risk management support and sharing of lessons learned from other Secretariat construction projects. An independent risk management firm (IRMF) provides construction-related, independent risk management services to this and other Secretariat construction projects.

¹ Revised to \$1.5 million as shown in Table 1.

6. SMP has a dedicated project team led by a Project Manager at the P-5 level. The team initially had 13 approved posts but three were discontinued by the General Assembly in 2021 as they had never been filled. Seven posts were encumbered as of March 2022, while one post was under recruitment and the other two posts are not expected to be filled due to budget constraints.

7. Comments provided by ESCAP are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to determine whether ESCAP internal controls over the SMP were implemented effectively to ensure timely completion of the project within the scope and budget approved by the General Assembly.

9. This audit was included in the 2022 risk-based work plan of OIOS due to the General Assembly's request for OIOS to provide oversight of the project and include information on its key findings in its annual report to the General Assembly (A/RES/71/272).

10. OIOS conducted this audit in March and April 2022. The audit covered the period from March 2021 to February 2022. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in the SMP project, which included: (a) project management, (b) procurement activities; and (c) project governance and oversight mechanisms.

11. The audit methodology included: (a) interviews with key personnel, (b) review of relevant documentation, (c) analytical review of data, and (d) sample testing of selected transactions.

12. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Project management

ESCAP needed to cater for known increases in staff costs in the project budget

13. The approved project budget has the components indicated in Table 2. While the provision for escalation has remained the same at \$3.9 million, contingency was reduced from \$3 million in 2021 to \$1.5 million to accommodate overspent expenditures under the professional services and project management budget lines. The overrun of staff cost of \$316,400 in 2021 was primarily due to increases in staffing costs against the 2016 standard costs that were used to determine the budget for the remaining project duration, while increased cost of professional services of approximately \$1.2 million was due to increases in construction administration and consultancy services required to support the tendering phase for the main construction contract. The adjusted contingency ensured that the budget remained within the amount approved by the General Assembly.

Table 2: Available project budget (in thousands of United States dollars)

<i>Details</i>	<i>Total approved project budget</i>	<i>Actual expenditure January 2017 to February 2022</i>	<i>Available budget March 2022 to December 2023</i>
Programme budget section 33			
Construction costs	24,816.1	5,547.6	19,268.5
Professional services	4,410.6	2,904.6	1,506
Escalation	3,889.0	-	3,889
Contingency	1,515.5	-	1,515.5
Subtotal	34,631.1	8,452	26,179
Programme budget section 19			
Project management	5,387.9	4,190.7	1,197.2
Grand total	40,019.0	12,642.9	27,376.1

14. The fourth and most current Monte Carlo simulation conducted by IRMF indicated that there was only a 27 per cent chance that the project would be delivered within the approved budget, significantly less than the Organization's target of 80 per cent. This was an upward trend, compared with the two previous estimates, which were at 15 per cent and 20 per cent in 2019 and 2020, respectively. The quantitative analysis indicated that the estimated project costs at 80 per cent confidence level would be approximately \$1 million over the approved estimated maximum cost. While the confidence level has increased slightly, there remains a level of uncertainty around currency exchange fluctuations, façade/glazing solutions and the potential impacts of the COVID-19 pandemic. The Secretary-General informed the General Assembly of this in his report on the project (A/76/313) of September 2021.

15. In the prior year audit (report 2021/022), OIOS analyzed the four drivers of the increasing costs of the project: delays in signing the main construction contract; currency fluctuations; professional services and staff costs. All contracts are denominated in Thai Baht and were valued at approximately Baht 932 million (\$28 million) as of March 2022. The estimated accumulated exchange loss as of February 2022 was approximately \$750,000. While the main construction contract has been signed at Baht 840 million (\$24.8 million), which is within the original budget estimates, currency fluctuations and staff costs are likely to push costs beyond the budget, and both the contingency and escalation budget lines may not be sufficient to ensure project is completed within the budget approved by the General Assembly. Therefore, ESCAP will need to continue to mobilize resources to fund the project as recommended in report 2021/022 of 14 June 2021. This recommendation is still outstanding.

16. Value engineering had been well executed resulting in a reduction of the not to exceed (NTE) amount approved by the Headquarters Committee on Contracts (HCC) of \$35.7 million for the main contract, to a signed contract amount of \$24.8 million. SMP had also opted not to recruit against three approved positions and kept one post (Administration and Finance Assistant) vacant from November 2019 to February 2022 to save on costs. Staff costs will continue to exceed budgeted amounts due to the use of 2016 standard costs. ESCAP has already used \$508,000 from contingency to cover the shortfall in staff cost as of 31 December 2021. The projected shortfall to cover the eight posts up to completion of the project in 2023 is approximately \$572,000. Staff cost overruns in the previous years were funded using contingency. It is a best practice in construction projects to use contingency as a last resort to fund such eventualities as unforeseen field conditions, changes in owner requirements, and design errors and oversights. Therefore, ESCAP needed to propose a revision in the project budget through the annual Secretary-General's report to the General Assembly to cater for known increases in staff costs and maintain the contingency for other unforeseen events that may arise as part of construction activities.

(1) ESCAP should propose a revision of the budget for the seismic mitigation retrofit and life-cycle replacements project to cater for known increases in staff costs in the Secretary-General's reports to the General Assembly.

ESCAP accepted recommendation 1 and stated that the known increases in staff costs under section 19 of the regular budget would be covered with the available contingency funds and reported in the Secretary-General's report to the seventy-seventh General Assembly session. ESCAP, in consultation with GAMPS and the Office of Programme Planning, Finance and Budget, would continue to monitor project costs and request for a revision in the budget if cost increases result in a shortfall in the overall approved project budget and additional funds are required to complete the project.

There was a need for the SMP team with support from GAMPS to manage key project risks more effectively

17. GAMPS continued to actively oversee the project by attending touch point meetings and meeting with the SMP team monthly or bi-weekly to discuss project updates/progress depending on developments on the project that required immediate review and action. However, GAMPS coordination activities with the IRMF were not effectively executed, particularly regarding timeliness in risk reporting activities.

18. In accordance with its contract, IRMF is required to hold quarterly touch point meetings to discuss risks affecting the project. During the audit period, they met in March, May, September and December 2021. In addition, IRMF is required to issue biannual progress reports following a risk assessment workshop with the SMP team and GAMPS to obtain the information needed for conducting a qualitative assessment of the risks posed to both the approved project costs and schedule. The report is a key input to the project risk register and to facilitate an accurate risk management framework. The report also included recommendations to ESCAP to ensure the project is completed within budget and schedule. However, only one progress report was submitted to ESCAP in 2021. This was the sixth biannual progress report dated 17 February 2021 and transmitted to ESCAP on 14 April 2021, approximately two months after its issuance. During the audit fieldwork, the seventh progress report dated 10 August 2021 was transmitted to ESCAP on 14 March 2022, a delay of almost seven months. In both cases, IRMF did not provide justification for the delays in issuing the reports and did not attach addendums to provide updates on any changes since the date the reports were finalized. A key event impacting the seventh progress report was the signing of the contract with the main contractor and the start of construction activities.

19. In addition, the SMP team had downgraded one of the high-risk areas that was included in the seventh biannual report as high risk to medium. The residual risk related to fabrication and quality of installation of the façade and glazing solutions had been reduced in the project risk register to medium on the assumption that the design solution has been included in the construction documentation. This risk remains high until installation is complete due to unforeseen structural conditions given the size of the building. In addition, the supply chain for the façade and glazing solution is still a challenge and the contractor had no firm delivery dates as of March 2022. ESCAP explained that even though the risk related to fabrication and quality of installation of the façade and glazing solutions has been downgraded to medium, it is being monitored and mitigated.

20. There was also a need to closely monitor the risks related to construction administration and related corrective design work. Following a decision to re-tender for the provision of construction administration services, OIOS recommended in the prior year audit (report 2021/022), that ESCAP amend its contract with the lead consulting firm (LCF) to remove these services from their contract, once the re-tendering exercise is completed. A new consultancy firm was contracted to provide construction administration services as of September 2021. However, no action has been taken to remove the services from the LCF contract. At the time of the fieldwork the recommendation was still in the process of implementation.

21. On the advice of the Office of Legal Affairs and the Procurement Division, ESCAP reduced the value of the performance bond required under the original LCF contract from \$275,000 to \$164,000 in light of the reduced scope of the contract. However, there were concerns that the bond might be insufficient to cover remedial work that may be necessary to correct any design errors by the LCF. ESCAP explained that the risk register was updated monthly and already included risks related to existing and emerging design errors; therefore, OIOS did not make a recommendation on this issue.

(2) ESCAP should, in conjunction with the Global Asset Management Policy Service, take steps to ensure the independent risk management firm adheres to the timelines for the issuance and transmittal of biannual reports to improve risk management of the seismic mitigation retrofit and life-cycle replacements project.

ESCAP accepted recommendation 2 and stated that it would, in conjunction with GAMPS, ensure that the biannual reports are submitted to the project owner in a timely manner.

The project management plan could be a reference document for future construction projects

22. GAMPS guidelines on major construction projects and industry best practices require the development of a project management plan (PMP). The PMP is an essential framework and tool to establish basic systems and define standard operating and reporting procedures to be used to oversee the activities of the project team and contractors. In report 2018/054 of 5 June 2018, OIOS noted that the draft PMP, which was started in January 2017, had not yet been finalized. At the time of fieldwork for this audit, the PMP was still considered as a preliminary working document subject to further updates.

23. As part of updating the PMP, ESCAP should consider including a section on the procurement strategy adopted for the SMP (multi-stage request for proposal (RFP) with dialogue process) incorporating lessons learned in line with General Assembly resolution 75/352, which requires the compilation of best practices, strategies and lessons learned to continue to draw from experience and knowledge acquired from other capital projects. While the PMP was specific to ESCAP, it is a well detailed document that included procedures for change order management, risk management framework, and communication strategy that could be used as reference material in other construction projects. It should therefore be peer reviewed with the assistance of GAMPS and finalized. ESCAP explained that the PMP was a live document that will continue to be updated throughout the duration of the project. Plans were in place to have it peer reviewed and to incorporate best practices and lessons learned at end of project; therefore, no recommendation was made on this issue.

ESCAP was taking steps to mobilize voluntary contributions

24. In report 2021/22, OIOS analyzed the actual expenditure from January 2017 to January 2021 and the available budget for 2021 to 2023 and concluded that there may not be enough funding to complete the project unless concrete steps were taken to either increase the resources available for the project or institute significant cost-cutting measures, without compromising on the project's core objectives. OIOS recommended that ESCAP should develop a resource mobilization strategy that scales up its efforts to raise voluntary contributions and improve the likelihood of better outcomes compared to prior years. In addition, General Assembly resolution 75/253 requested the Secretary-General to remain proactive in seeking both voluntary and in-kind contributions from Member States and to provide detailed information on the matter in the context of his next progress report.

25. The SMP team explained that it had obtained assistance from the Strategy and Programme Management Division, which is responsible to seek extrabudgetary resources to implement ESCAP's normative programmes, to prepare a resource mobilization strategy that was in progress. Concurrently,

ESCAP had approached Japan and South Korea to provide two Junior Professional Officers with expertise in construction and civil engineering and requested the Ministry of Foreign Affairs of Thailand to second a full or part time medical officer to support the implementation of COVID-19 risk mitigation measures for the construction phase of the SMP. Furthermore, at the 398th session of the Advisory Committee of Permanent Representatives, ESCAP specifically made a call for voluntary contributions to support the project's objectives as described in the PMP in areas such as: energy efficiency; waste management; sustainability; accessibility; future technology; and meeting areas. OIOS concluded that ESCAP was taking concrete steps to implement a prior audit recommendation on resource mobilization.

B. Procurement activities

The construction contract for the main works was successfully concluded and incorporated notable value engineering aspects

26. When the SMP was approved by the General Assembly in 2016, the goal was to complete all significant procurement activities by the end of 2019. The first RFP was cancelled in November 2019 after it received only one qualified bid whose commercial proposal was not viable. Subsequently, ESCAP engaged a consulting firm to conduct additional market research, reassess the costs on the bill of quantities and provide RFP support for a re-bid. A new request for expression of interest was issued in April 2020 and was also used to pre-qualify vendors in accordance with article 5.6 of the revised procurement manual, which recommends pre-qualification of bidders where requirements are complex and the costs of preparing detailed bids is high, such as in construction projects.

27. ESCAP issued the new RFP in August 2020 using the “multi-stage RFP with dialogue” approach. In this approach, bidders are required to submit interim proposals, and the United Nations engages in dialogue with them before and after their submissions. An interim evaluation is conducted, and only bidders who pass the interim evaluation are permitted to submit final proposals, which are evaluated like a traditional RFP.

28. To ensure better outcomes, the whole evaluation process was done in conjunction with the Procurement Division and GAMPS who provided staff resources for the process. As an added control an independent probity monitor was engaged to provide assurance on the fairness of the multi-stage RFP process and conclude on its compliance with relevant regulations, rules and best practices. The probity monitor reported directly to the Assistant Secretary-General, Office of Supply Chain Management so that they could be independent from the project and procurement teams directly supporting the project.

29. After submission of interim proposals and dialogues with the bidders that occurred between October 2020 and January 2021, six final proposals were received and submitted for technical evaluation on 12 March 2021. Four companies were found to be technically compliant, and their proposals were submitted for legal evaluation on 5 May 2021. Commercial evaluation was conducted on 20 May 2021 and the company with the best score had a financial proposal of \$32.1 million. On 8 June 2021 the risk evaluation committee advised that they did not identify any major risks and agreed with the best value-for-money assessment. They recommended that, as per industry best practice, an allowance of \$3.6 million be considered as part of the final contract amount to cover potential residual risks and general contingency for unforeseen conditions, owner directed changes and design related issues. This brought the proposed contract award to \$35.7 million, which the HCC unanimously recommended in July 2021 for a period of three years and plus a two-year defect notification period pursuant to Financial Rule 105.15 (b) – qualified most responsive proposal (Lowest Cost Proposal).

30. During contract negotiations, the contract price was reduced to \$24.8 million via value engineering discussions that included the use of an alternative marble façade and exclusion of the fit-out of two floors and marble cladding on two link walls on the North and South façades. The main contract for construction works was signed on 14 October 2021 and notice to proceed with mobilization issued on 5 November 2021. Contract activities commenced on 22 November 2021 and as of March 2022, the inside partitions in one of the towers had been demolished. OIOS concluded that the procurement process was fair and that the established controls, including the participation of staff from the Procurement Division and GAMPS, provided additional assurance on the fairness of the process.

There was a need to document lessons learned in connection with the probity monitor assurance services

31. In accordance with the latest procurement manual, a probity monitor was appointed in October 2020 to oversee adherence of all parties to the multi-stage RFP with dialogue process and prepare and submit interim and final reports on the ESCAP team's performance and any subsequent negotiations to the Executive Secretary. The probity monitor issued an assurance opinion on 31 January 2021 stating that:

- a) The procurement process was conducted in accordance with the United Nations procurement governance instruments and professional best practice.
- b) Dialogues conducted with the bidders were open and fair with no partiality shown towards any vendor.
- c) Risks to achieving compliance in submitting acceptable bids were identified by the SMP team during competitive dialogue sessions and bidders were given full opportunity to act to ensure compliance.
- d) There were no deviations from the United Nation's procurement procedures to report.

32. Resolution 75/352 required the compilation of best practices, strategies and lessons learned to continue to draw from the experience and knowledge acquired for other capital projects. ESCAP should therefore prepare a summary of lessons learned from the probity monitor assurance exercise for use in future major construction projects at ESCAP or other Secretariat entities.

(3) ESCAP should document the lessons learned from the probity monitor assurance exercise on the seismic mitigation retrofit and life-cycle replacements project for use in future major construction projects.

ESCAP accepted recommendation 3.

Other procurement activities related to the SMP were either concluded or in the process of finalization and no exceptions were noted

33. Other SMP related contracts including the construction administration, provision of moving services and identification of hazardous materials have been concluded. The system contract for the provision of office furniture was anticipated to be concluded by May 2022. Except for some delays due to impact of COVID-19, ESCAP followed through all key procurement processes and no exceptions were noted.

- a) Construction administration services contract

34. On 8 September 2020, ESCAP issued the RFP for construction administration services. HCC approved the recommendation on 9 June 2021 for the provision of construction supervision, administration and technical support for three years, with an option to extend the contract for two additional two-year periods for an NTE amount of \$2,241,192. The contract was signed on 8 September 2021.

b) Furniture systems contract

35. ESCAP issued the RFP for furniture systems in November 2019. HCC approved the awards on 29 December 2021. ESCAP proposed to split the award between five vendors for a total contract value of \$4,551,721. At the time of fieldwork, ESCAP was negotiating details of the contract with the bidders.

c) Contract for the provision of hazardous material survey and sampling services

36. ESCAP issued the RFP on 22 September 2020. On 16 March 2021, the Local Committee on Contracts (LCC) recommended that the provision of consultancy services for the qualification and removal method for building hazardous materials at ESCAP be awarded for 16 weeks for NTE amount of \$254,063 pursuant to Financial Rule 105.15 (b) – qualified, most responsive proposal. The contract was signed on 22 April 2021.

d) Contract for moving and logistic services

37. The RFP was issued on 23 December 2020. On the 18 June 2021, the LCC recommended award to a company for three years for an NTE of approximately \$478,629 pursuant to Financial Rule 105.15 (b) – qualified, most responsive proposal. The contract was signed on 13 August 2021.

The handover process for the swing space project was adequate though an archiving plan for the retention of project specific records was needed

38. Works on the swing space contract were fully completed by 31 December 2020. Quality control inspections on mechanical/electrical and architectural works concluded on 5 February 2021 identified 103 punch list items under the mechanical/electrical component and 195 items under architectural components. OIOS reviewed both punch lists including visual presentations before and after resolution and concluded that the issues in question were adequately resolved. The contractor handed over the swing space together with the following documents to the ESCAP's Facilities Management Unit (FMU):

- a) As built drawings
- b) Manuals
- c) Warranty of materials and equipment
- d) Certificate of completion

39. ESCAP had no retention policy or archiving plan for the various documents and systems handed over to FMU following substantial completion. FMU explained that all information had been stored in a SharePoint folder. However, no details were available including a catalogue of what was handed over and how the information can be accessed. Records unique to construction projects such as drawings, specifications, operations and maintenance manuals should be archived as they will be needed for future operations. The archiving and retention policy should also include warranty of materials and equipment.

(4) ESCAP should prepare an archiving plan for the retention of records unique to the seismic mitigation retrofit and life-cycle replacements project to support future maintenance operations.

ESCAP accepted recommendation 4.

C. Project governance and oversight mechanisms

The Stakeholders' Committee should include on its agenda guidance on voluntary contributions and updates on risk management

40. The Stakeholders' Committee (the Committee) was established in January 2017 to assist the project owner and project executive to proactively manage the project. It met three times in 2021 instead of quarterly, due in large part to the delays in executing the main construction contract. Following the successful move into the swing space by September 2021 and the award of the main construction contract on 14 October 2021, the Committee is expected to scale up its activities in 2022, meet more frequently or at least quarterly and provide the project owner and project executive with effective oversight to ensure project is implemented within scope, budget and in a timely manner. As indicated in resolution 75/253, this should include proactive oversight and guidance on: (a) seeking voluntary and in-kind contributions from Member States; and (d) updating risk management and related mitigation.

41. A review of the minutes of past meetings of the Committee indicated that risk management and resource mobilization did not form part of the agenda. Given the current stage of construction activities, substantive input by the Committee on these matters is essential to ensure there are sufficient resources to complete the project and on schedule.

(5) ESCAP should ensure that the Stakeholder's Committee for the seismic mitigation retrofit and life-cycle replacements project includes on its agenda: (a) guidance on seeking voluntary contributions from Member States; and (b) updates on risk management and related mitigation measures.

ESCAP accepted recommendation 5.

IV. ACKNOWLEDGEMENT

42. OIOS wishes to express its appreciation to the management and staff of ESCAP 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 the seismic mitigation retrofit and life-cycle replacements project in the
Economic and Social Commission for Asia and the Pacific**

Rec. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	ESCAP should propose a revision of the budget for the seismic mitigation retrofit and life-cycle replacements project to cater for known increases in staff costs in the Secretary-General's reports to the General Assembly.	Important	O	Receipt of evidence that project costs are being closely monitored and status updates are included in various reports to the General Assembly.	31 December 2023
2	ESCAP should, in conjunction with Global Asset Management Policy Service, take steps to ensure adherence to the timelines for the issuance and transmittal of biannual reports to improve risk management of the seismic mitigation retrofit and life-cycle replacements project.	Important	O	Receipt of evidence that biannual reports by the independent risk management firm are being submitted in a timely manner.	31 December 2022
3	ESCAP should document the lessons learned from the probity monitor assurance exercise on the seismic mitigation retrofit and life-cycle replacements project for use in future major construction projects.	Important	O	Receipt of evidence that lessons learned from the probity monitor assurance exercise have been compiled.	31 December 2022
4	ESCAP should prepare an archiving plan for the retention of records unique to the seismic mitigation retrofit and life-cycle replacements project to support future maintenance operations.	Important	O	Receipt of evidence that an archiving plan has been created.	31 December 2023
5	ESCAP should ensure that the Stakeholder Committee for the seismic mitigation retrofit and life-cycle replacements project includes on its agenda: (a) guidance on seeking voluntary contributions from Member States; and (b) updates on risk management and related mitigation measures.	Important	O	Receipt of evidence that the Stakeholder's Committee agenda includes guidance on voluntary contributions and risk management.	31 December 2022

² Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

³ Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

⁴ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

⁵ Date provided by ESCAP in response to recommendations.

APPENDIX I

Management Response

Management Response

**Audit of the seismic mitigation retrofit and life-cycle replacements project in the
Economic and Social Commission for Asia and the Pacific**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ESCAP should propose a revision of the budget for the seismic mitigation retrofit and life-cycle replacements project to cater for known increases in staff costs in the Secretary-General's reports to the General Assembly.	Important	Y	Director of Administration	31 December 2023	<p>ESCAP accepts this recommendation. The known increases in the staff costs under section 19 will be covered with the available contingency funds and will be reported in the coming SG Report of the 77th GA Session. The overall project budget remains within the approved threshold.</p> <p>ESCAP, in consultation with GAMPS and OPPFB will continue to monitor the project costs in the context of the SG report of the 78th Session in 2023, ESCAP will request for a revision in the budget if cost increases result in a shortfall in the overall approved project budget and additional funds are required to complete the project.</p>
2	ESCAP should, in conjunction with Global Asset Management Policy Service, take steps to ensure adherence to the timelines for the issuance and transmittal of biannual reports to improve risk management of the seismic mitigation retrofit and life-cycle replacements project.	Important	Y	Senior Programme Management Officer	31 December 2022	ESCAP accepts this recommendation. ESCAP and GAMPS will ensure these reports are submitted to the Project Owner in a timely manner.

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

Management Response

**Audit of the seismic mitigation retrofit and life-cycle replacements project in the
Economic and Social Commission for Asia and the Pacific**

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	ESCAP should document the lessons learned from the probity monitor assurance exercise on the seismic mitigation retrofit and life-cycle replacements project for use in future major construction projects.	Important	Yes	Chief Procurement Officer	31 December 2022	ESCAP accepts this recommendation
4	ESCAP should prepare an archiving plan for the retention of records unique to the seismic mitigation retrofit and life-cycle replacements project to support future maintenance operations.	Important	Yes	Senior Programme Management Officer	31 December 2023	ESCAP accepts this recommendation
5	ESCAP should ensure that the Stakeholder Committee for the seismic mitigation retrofit and life-cycle replacements project includes on its agenda: (a) guidance on seeking voluntary contributions from Member States; and (b) updates on risk management and related mitigation measures.	Important	Yes	Senior Programme Management Officer	31 December 2022	ESCAP accepts this recommendation