



## INTERNAL AUDIT DIVISION

### REPORT 2018/054

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

The secretariat made significant progress in the implementation of the project but needed to strengthen project management and complete the strategy for the new on-site swing space and construction procurement activities

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# **Audit of the seismic mitigation retrofit and life-cycle replacement 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 replacement project (the project) in the Economic and Social Commission for Asia and the Pacific (ESCAP). The objective of the audit was to determine whether ESCAP had established adequate processes to effectively manage the project in compliance with: (i) the requirements, costs structure and lessons learned outlined in relevant reports of the Secretary-General to the General Assembly; (ii) related General Assembly resolutions; and (iii) the United Nations Financial Regulations and Rules. The audit covered the period from April 2017 to February 2018 and included higher and medium risks associated with the management of the project, including project governance, staffing and management.

ESCAP made significant progress in the implementation of the project including signing an Administration and Coordination Agreement with the Office of Central Support Services (OCSS), recruiting the project manager and hiring the lead consultant firm. However, ESCAP needed to strengthen project management and complete the strategy for the new on-site swing space and construction procurement activities.

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

- Ensure that the Stakeholders' Committee meets regularly;
- Expedite the recruitment of the remaining staff for the project;
- Finalize the project management plan and implement an appropriate project information management system;
- Establish, in consultation with OCSS, a system of third-party peer review of technical designs produced by the lead consultant firm;
- Assess, in consultation with OCSS, the need for the lead consultant firm to establish a physical on-site presence to effectively supervise construction activities;
- Finalize plans to implement the new on-site swing space strategy, and report the reprogramming of the entire \$5.4 million for the on-site swing space to the General Assembly;
- Establish, in consultation with OCSS, proper change order mechanisms and procedures with appropriate procurement authority; and
- Develop a strategy for anticipated high value procurement activities to ensure that they are executed timely to avoid delays in the completion of the project.

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

# CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY	2
III. AUDIT RESULTS	2-9
A. Project governance	2-3
B. Project staffing	3-4
C. Project management	4-9
IV. ACKNOWLEDGEMENT	9
 ANNEX I      Status of audit recommendations	
 APPENDIX I   Management response	

# Audit of the seismic mitigation retrofit and life-cycle replacement 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 replacement project (the project) in the Economic and Social Commission for Asia and the Pacific (ESCAP).

2. Under Section IV of its resolution 71/272, the General Assembly approved the project in December 2016 with an estimated maximum cost of \$40,019,000 as illustrated in Table 1. The overarching objective of the project is to comply with seismic and other fire and life-safety codes for the premises so that staff, delegates and visitors to ESCAP are not exposed to any unnecessary risks. In his report (A/71/333) to the General Assembly on the project, the Secretary-General proposed the scope, timeframe, implementation plan and estimated maximum cost under a multi-year account over the period 2017-2023.

**Table 1: Project costs schedule for 2017-2023 (amounts in millions of United States dollars)**

	<i>Phase</i>	<i>2-4</i>	<i>2-4</i>	<i>5</i>	<i>5</i>	<i>5</i>	<i>5</i>	<i>6</i>	<i>Total</i>
	<i>Year</i>	<i>2017</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>	
1	Trade costs		2.139	6.155	4.989	8.607	2.926		24.816
2	Consultancies fees	0.222	0.731	0.392	0.301	0.582	0.142		2.370
3	Escalation		0.239	0.817	0.899	1.991	0.814		4.760
4	Contingencies		0.333	0.736	0.619	1.118	0.388		3.195
5	Project management	0.527	0.675	0.696	0.916	0.917	0.916	0.232	4.879
<b>Total</b>		<b>0.749</b>	<b>4.117</b>	<b>8.796</b>	<b>7.724</b>	<b>13.215</b>	<b>5.187</b>	<b>0.232</b>	<b>40.019</b>

Source: Secretary-General's report A/72/338 to the General Assembly dated 15 August 2017

3. The General Assembly approved an appropriation of \$4,057,200 for the project in 2018, comprising \$615,000 and \$3,442,200 from programme budget Sections 19 and 33, respectively to cover phases 3 and 4, which started in 2017. They include: (a) commencement of design services with the lead consultant firm (LCF); (b) commencement of the change management and communication process related to the swing space and flexible workplace strategies; (c) review of the recommendations of the LCF and finalization of a construction methodology; (d) updating of project costs based on the LCF's recommendations and the updated methodology; (e) development of a swing space and relocation methodology; (f) adjustment of procurement actions based on the finalized methodology; and (g) recruitment of additional project staff.

4. The Executive Secretary of ESCAP is the Project Owner and the Director, Division of Administration, is the Project Executive. The project has a dedicated project team headed by the Project Manager at the P-5 level. The Project Executive manages the project with support from the project team, interacting with internal and external stakeholders, and coordinating with the Office of Central Support Services (OCSS). OCSS has hired an independent risk management firm to help implement a robust integrated approach to risk management in line with industry best practices. ESCAP and OCSS have signed an Administration and Coordination Agreement to coordinate and support various aspects of the project.

5. Comments provided by ESCAP are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

6. The objective of the audit was to determine whether ESCAP had established adequate processes to effectively manage the project in compliance with: (i) the requirements, costs structure and lessons learned outlined in relevant reports of the Secretary-General to the General Assembly; (ii) related General Assembly resolutions; and (iii) the United Nations Financial Regulations and Rules.

7. This audit was included in the 2018 risk-based work plan of OIOS due to the risks of delays, wastage and cost overruns inherent in major construction and alterations projects.

8. OIOS conducted this audit in February and March 2018. The audit covered the period from April 2017 to February 2018. Based on an activity-level risk assessment, the audit covered higher and medium risks areas in the management of the project, including project governance, staffing and management.

9. The audit methodology included: (a) interviews of key personnel and stakeholders, (b) reviews of relevant documentation, and (c) analytical reviews of data.

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

## **III. AUDIT RESULTS**

### **A. Project governance**

#### Need for the Stakeholders' Committee to meet more often

11. General Assembly resolutions 71/272 and 72/262 stress the importance of governance, effective oversight, transparency and accountability in the management of the project to ensure that its objectives are achieved within budget and timely. Accordingly, the project stakeholders' committee is expected to be composed of diverse members with the required expertise, and to meet frequently.

12. A Stakeholders' Committee (the Committee) was established in January 2017 to assist the Project Owner and the Project Executive to proactively manage the project. The Committee was also to provide advice to the Project Owner to ensure that the project balanced the needs of the various stakeholders considering the complexity of the project activities and the potential impact on their operations. The Committee comprised the Executive Secretary, the Director of Administration, two ESCAP directors, and six section/unit chiefs representing functions such as procurement, finance, facilities management and security and safety, as well as a representative from OCSS. Four United Nations agencies, which were tenants of ESCAP, were represented in the Committee at the Director level as observers.

13. OIOS noted that the membership of the Committee was overwhelmingly from ESCAP and the contribution from the functional sections in the context of the work of the Committee might not be different from their regular functions. In OIOS view, a more independent and diverse membership was needed to provide more authoritative advice on the management and oversight of the project. ESCAP did not agree, and was of the view that the Committee had been established in line with OCSS' guidance. ESCAP further commented that the working groups established under the Committee had diverse membership, which the secretariat deemed to be suitable.

14. According to its terms of reference, the Committee was to meet quarterly until project completion. However, the Committee had met only once since its establishment, although the Project Executive

provided detailed updates to the Committee in June and September 2017. The Committee, however, did not provide any formal feedback on the project progress updates.

15. With key decisions expected in 2018 in preparation for the construction phase of the project in 2019, such as the revised swing space strategy and potential revisions of the project scope, it is important that the Committee meets regularly to provide advice to the Project Owner and the Project Executive on a timely basis.

**(1) ESCAP should ensure that the Stakeholders' Committee meets regularly and provides feedback and guidance regarding important issues related to the implementation of the project.**

*ESCAP accepted recommendation 1. Recommendation 1 remains open pending receipt of evidence of regular meetings of the Committee.*

## B. Project staffing

### ESCAP needed to expedite the recruitment of project staff

16. One of the human resources objectives of the Secretariat is to recruit staff expeditiously to reduce vacancy rates.

17. The General Assembly authorized the establishment of six temporary positions for the project including 1 P-5, 1 P-4, 2 P-3s and 1 General Service in Bangkok, and a P-4 position for OCSS to be equally shared between ESCAP and other regional commissions. Table 2 shows the recruitment status of the project team as of February 2018.

**Table 2: Recruitment status of the project team as of February 2018**

Post Number	Position Grade	Title	Date of Encumbrance	Status of Encumbrance	Recruitment Status
31017103	P-5	Project Manager	1/9/2017	Encumbered	Filled
31017104	P-4	Project Engineer	7/4/2018	Temporarily encumbered for one year	Job offer (JO) to be posted
N/A	P-4 (New York)	Project Coordinator (50 per cent)	6/11/2017	Temporarily encumbered for one year	Not filled. JO to be posted in 2018
31017105	P-3	Civil and Structural Engineer	10/7/2017	Temporarily encumbered to 30/9/2018	Not filled. JO posted
31017106	P-3	Procurement Officer	1/5/2015	Encumbered	Filled
31023195	NO-C	Building Mechanical-Electrical-Plumbing Engineer	N/A	Vacant	Not filled. JO posted (Post established 1/1 2018)
31017107	LL (G6)	Project Administrative Assistant	1/7/2017	Encumbered	Filled

18. As illustrated in Table 2, two ESCAP project positions were yet to be filled, while a third was filled temporarily. The project is at a stage where the LCF is on board and key activities under phases 2 and 3 are underway; these are critical to the subsequent phases of design, tendering, and construction. In addition,

important project implementation and change management processes and procedures were still being established.

19. Without a fully constituted operational project team, there is a risk that ESCAP may not be able to adequately monitor the work of contractors and establish other processes to ensure effective and timely implementation of the project.

**(2) ESCAP should expedite the recruitment of the remaining staff for the seismic mitigation retrofit and life-cycle replacement project to establish a fully operational project management team.**

*ESCAP accepted recommendation 2 and stated that it would expedite the recruitment of the remaining staff. Recommendation 2 remains open pending receipt of evidence that the remaining project staff have been recruited.*

### **C. Project management**

The project management plan needed to be completed and appropriate project information management system implemented

20. OCSS guidelines 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.

21. The draft PMP, which was started in January 2017, had not yet been finalized. As a result, important systems, tools and procedures were not fully implemented including a project information management system, periodic progress reporting to the Project Executive, and procedures for change/order management activities. Also, while there were periodic meetings with the Project Executive, minutes of meetings were not documented.

22. The project team maintained a shared drive as a repository for project information and records, but there was no information management system that could be accessed by senior management to obtain an overview of the status of the project and risk management activities. Such a system should have the capacity to produce dashboards on valuable information including overall project completion rate, important project milestones, critical paths, and planned vs. actual project timelines and expenditures. The Engineering Standards and Design Centre of the United Nations Global Service Centre in Brindisi was developing the Global Construction Project Management Tool, which may be useful in this regard.

23. OIOS noted that ESCAP was implementing initiatives to establish appropriate project management methodologies to ensure quality, timely and cost-effective project delivery. These included: (a) setting up a project scheduling and monitoring system using Microsoft Project software with the aim of having comprehensive schedules of the project and project dependencies managed within the Division of Administration, and (b) organizing training of selected staff in the use of Microsoft Project and Prince2.

24. However, in the absence of the PMP including adequate standard operating procedures and information management systems covering all aspects of the project, there is a risk that monitoring and oversight of the project performance may be ineffective, potentially leading to delays and cost overruns.

**(3) ESCAP should finalize the project management plan and implement an appropriate project information management system to facilitate the monitoring and oversight of the seismic mitigation retrofit and life-cycle replacement project.**

*ESCAP accepted recommendation 3 and stated that it would finalize the PMP and implement a project information system. Recommendation 3 remains open pending receipt of the finalized PMP and evidence of implementation of an appropriate project information management system.*

Need for a third-party peer review mechanism to support major architectural and engineering design outputs

25. Technically feasible architectural and engineering design products are essential for the effective and efficient management of various stages of construction, with accurate schedule, cost estimates, and monitoring mechanisms to track individual tasks for timeliness. An effective quality assurance and peer review mechanism ensures that consultants and contractors adhere to professional and agreed technical and quality standards.

26. The project had identified several high value contractors to develop highly technical architectural and engineering designs and construction scheduling for the project. The main quality assurance responsibilities were set at two levels: (a) the Project Manager - for the overall quality assurance and control of the project; and (b) the LCF - for the quality assurance of the design and technical outputs of other participating contractors. The LCF was responsible for reviewing: (i) existing project documentation, applicable standards and codes and full condition assessment and surveys describing the current condition of the ESCAP Secretariat building including data analysis, and (ii) the proposed seismic mitigation retrofit design. The LCF also undertook design activities such as detailed designs of life-cycle elements of the project, and space planning and cost estimates for the swing space.

27. However, no third-party peer review mechanism had been planned and budgeted to review the architectural and engineering design developed by the LCF as had been done in some Secretariat construction projects such as the Capital Master Plan and the Africa Hall renovation project in the Economic Commission for Africa. The project team was reviewing the LCF products with support from the ESCAP Facilities Management Unit; however, they had limited capacity to effectively carry out technical third-party peer review comprehensively.

28. Lack of a third-party peer review mechanism could result in significant technical risks impacting on the quality and integrity of the project. For example, without a one-off peer review and quality assurance undertaken by a third-party contractor, gaps in the design of the seismic retrofit and replacement of life-cycle elements would not have been identified prior to its implementation, which could have resulted in costly change orders and delays.

**(4) ESCAP should, in consultation with OCSS, establish a system of third-party peer review of the technical designs produced by the lead consultant firm for the seismic mitigation retrofit and life-cycle replacement project to ensure quality of designs and avoid risks of costly change orders and delay in project implementation.**

*ESCAP accepted recommendation 4 and stated that it was reviewing a request for proposal for a contract that had been used by the Economic Commission for Africa as reference for hiring a third-party peer review firm. Recommendation 4 remains open pending receipt of evidence of the establishment of a system of third-party peer review.*



ESCAP and OCSS needed to review the necessity for the LCF to establish an on-site presence

29. The services of the LCF include professional architectural design, engineering, costing, scheduling, construction contracts administration, and supervision of the construction. The LCF was also responsible for coordinating and managing the work of sub-contractors and served as the single point of contact to the Project Manager.

30. However, the contract with LCF, which was based in Spain, did not require the firm to have in-country presence. Essentially, the contractor was executing its duties remotely, although its staff regularly visited ESCAP and organized periodic video teleconference meetings. While this modality may be appropriate during the design phase, it may be insufficient when actual construction starts, as proper supervision would require a more permanent physical presence. ESCAP indicated that there was a provision for the LCF to provide construction management services through a sub-contracted local party. However, a review of the LCF proposal and subsequent contract showed that the level of efforts required during the construction phase (Phase 5) and how it would be undertaken were not fully detailed. ESCAP Local Committee on Contracts as well as the Headquarters Committee on Contracts raised questions about the local presence of LCF as the costing of this segment constituted the main difference in the proposals by the two main bidding firms. Furthermore, considering that the scope of the work during the construction phase – accounting for about 80 per cent of the LCF efforts – would be performed by an individual sub-contractor, there is a need to clearly determine whether reliance on a sub-contractor would be sufficient to ensure that the most critical phase of the project is properly managed. It was indicated that OCSS and ESCAP were contemplating to negotiate with the LCF to include a requirement for in-country presence through a contract amendment.

31. Without an effective on-site presence, there is a risk that gaps in construction activities may not be identified in a timely manner, which could result in change orders and delays in project implementation.

**(5) ESCAP should, in consultation with OCSS, assess the need for the lead consultant firm for the seismic mitigation retrofit and life-cycle replacement project to establish a physical on-site presence to effectively supervise the construction activities and amend the contract accordingly.**

*ESCAP accepted recommendation 5 and stated that it would assess the need for the lead consultant to establish a physical on-site presence. Recommendation 5 remains open pending receipt of the assessment of the need for an on-site presence of the LCF.*

ESCAP needed to finalize the detailed plan for the implementation of the on-site swing space

32. As a critical and complex component of the project, swing space requires a strategy integrating the temporary relocation of ESCAP tenants and staff with minimum disruptions in their operations.

33. For the originally-proposed construction phase of the project, ESCAP identified 4,800 square meters of temporary swing space to accommodate its staff and tenants. Of these, 1,200 square meters were to be met from ESCAP on-site premises and the remaining space through a combination of host-country provided and/or commercially leased space off-site. In its inception report dated 22 December 2017, the LCF proposed a new strategy for the swing space to be located within the premises for the duration of the construction activities. The off-site swing space was no longer considered.

34. The proposed swing pace strategy included an alternative construction phasing which consisted of implementing the works by blocks – moving tenants to lower or upper floors of the same tower or available

space in the other tower or elsewhere in the premises – instead of emptying the floors completely. The specific objectives of the strategy were to: (a) avoid swing space outside of the premises; (b) minimize need for swing space; (c) keep the building in operation while minimizing disruptions to occupants; and (d) establish clear delineation between construction and operational areas. The proposed alternative construction would be implemented in five phases within 42 months as originally planned.

35. The General Assembly had approved about \$6.5 million for on- and off-site swing space activities. The approved funds included \$5.4 million for rent, furniture, and services related to the off-site swing space. The implementation of the new strategy would require: (a) reprogramming of the entire \$5.4 million appropriation for the on-site swing space; and (b) a detailed plan of on-site swing space preparation activities with work schedule and cost estimates. It would also need to consider the tenants' operational requirements and staff concerns to ensure minimum disruptions in their work. Further, ESCAP needed to obtain OCSS clearance for the reprogramming of \$5.4 million for on-site swing space and report it to the General Assembly. Although ESCAP in conjunction with the LCF had started the process of reprogramming the swing space funds to activities in the preparation of on-site space, detailed plans were needed to implement the new on-site swing space strategy. Without the detailed plans before the start of the construction phase, the actual construction activities of the project may encounter significant challenges.

**(6) ESCAP should, in consultation with OCSS and the lead consultant firm: (a) finalize plans to implement the new on-site swing space strategy for the seismic mitigation retrofit and life-cycle replacement project; and (b) report the reprogramming of the entire \$5.4 million for the on-site swing space to the General Assembly.**

*ESCAP accepted recommendation 6 stating that it would finalize plans to implement the new on-site swing space strategy and report the reprogramming of the \$5.4 million to the General Assembly. Recommendation 6 remains open pending receipt of evidence of completion of these actions.*

ESCAP needed to establish adequate change order procedures with commensurate authority

36. Change control principles require documenting procedures for initiating and approving construction project change orders to ensure timely implementation.

37. In anticipation of potential changes during the implementation of the project, ESCAP had developed a draft process flow to manage change orders in the PMP. ESCAP had also established a Change Control Board on 29 January 2018 responsible to approve any change in methodology, scope, resources or budget for the project" on 29 January 2018. However, the terms of reference outlining the Board's authority, roles and responsibilities and its operating procedures had not yet been developed. In addition, while the United Nations Secretariat Guidelines for construction projects emphasized the need for strong controls over the management of change orders, they did not establish procedures at the level of individual capital projects such as those clarifying roles, responsibilities, and authority for processing change orders.

38. The management of change orders also required appropriate delegation of procurement authority as change orders may relate to contracts and/or actions with value beyond the existing procurement authority of the Project Executive of \$200,000. The current procurement authority level may be inadequate given that the value of preparing on-site swing space and for office modernization and furniture systems ranges from \$500,000 to \$2 million.

39. Change orders are anticipated in capital projects of the size and complexity that ESCAP is currently implementing. Without adequate change order mechanisms with commensurate delegation of procurement authority, there are risks of delays in project execution and circumvention of controls.

**(7) ESCAP should, in consultation with OCSS, establish proper change order mechanisms and procedures with appropriate procurement authority for the seismic mitigation retrofit and life-cycle replacement project.**

*ESCAP accepted recommendation 7 stating that it would establish proper change order mechanisms and procedures. Recommendation 7 remains open pending receipt of evidence of the establishment of the change order mechanisms and procedures with appropriate delegated procurement authority.*

ESCAP needed to establish an effective strategy for high value procurement activities

40. Acquisition planning for high value procurement is essential to avoid delays in effective and timely solicitation of bids and proposals, awards of contracts, and delivery of services. Planning includes development of an overall strategy for managing procurement activities and a process of identifying and analyzing risk factors that are likely to have significant impact, and determining related mitigation actions.

41. As at 28 February 2018 the project had to undertake four high value procurement activities totaling \$22.5 million as shown in Table 3. ESCAP had obtained local procurement authority to invite tenders up to \$24 million for the project.

**Table 3: High value procurement activities (amounts in United States dollars)**

<b>Goods or Services</b>	<b>Main Category</b>	<b>Total Value</b>
Furniture Systems and Office Space Modernization and Optimization	Office and Accommodation	2,000,000
Construction contractor	Supplies/Equipment/Furniture	18,000,000
Moving contractor	Construction	500,000
Swing Space Construction	Trade and Business Services	2,000,000
<b>Total</b>	Construction	<b>22,500,000</b>

42. The above procurement activities needed to be completed before the start of the major construction phase starting in 2019. ESCAP had initiated actions to issue requests for proposals and expressions of interest on some items, start market research, establish contacts with the Thai Government and reach out to the local market as it is expected that the vendors will be local contractors.

43. However, ESCAP did not establish a strategy to procure the above-mentioned high value items. Any delay in the procurement of high value items could have significant impact on the completion of the project. ESCAP had identified several risks in the procurement process, including:

- Insufficient procurement delegation of authority;
- Local supplier market potentially not being open to United Nations procurement requirements;
- Bottlenecks caused by United Nations procurement procedures;
- Low response rate to requests for proposals;
- Inadequate contractor statements of works;
- Vendors not accepting working conditions as the construction methodology adopted by ESCAP may be not compliant with industry standards; and
- Delays in the completion of dependency/prerequisite activities such as architectural and engineering designs and availability of swing space.

44. Therefore, it is critical for ESCAP to develop a procurement strategy for each of these high value procurement items taking into consideration the above-mentioned risks. ESCAP also needed to rigorously monitor the implementation of the strategy.

**(8) ESCAP should develop a strategy for anticipated high value procurement activities to ensure that they are executed timely to avoid negative impact on the completion of the seismic mitigation retrofit and life-cycle replacement project.**

*ESCAP accepted recommendation 8 and stated that it would develop a strategy for the procurement of high-value items. Recommendation 8 remains open pending receipt of the strategy.*

#### **IV. ACKNOWLEDGEMENT**

45. OIOS wishes to express its appreciation to the management and staff of ESCAP and OCSS 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 replacement project in the Economic and Social Commission for Asia and the Pacific

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	ESCAP should ensure that the Stakeholders' Committee meets regularly and provides feedback and guidance regarding important issues related to the implementation of the project.	Important	O	Submission of evidence of regular meetings of the Stakeholders' Committee.	31 December 2018
2	ESCAP should expedite the recruitment of the remaining staff for the seismic mitigation retrofit and life-cycle replacement project to establish a fully operational project management team.	Important	O	Submission of evidence of the recruitment of the remaining project staff.	31 March 2019
3	ESCAP should finalize the project management plan and implement an appropriate project information management system to facilitate the monitoring and oversight of the seismic mitigation retrofit and life-cycle replacement project.	Important	O	Submission of the finalized copy of the PMP and evidence of the implementation of a project information management system.	31 December 2018
4	ESCAP should, in consultation with OCSS, establish a system of third-party peer review of the technical designs produced by the lead consultant firm for the seismic mitigation retrofit and life-cycle replacement project to ensure quality of designs and avoid risks of costly change orders and delay in project implementation.	Important	O	Submission of evidence of the establishment of a system of third-party peer review.	31 March 2019
5	ESCAP should, in consultation with OCSS, assess the need for the lead consultant firm for the seismic mitigation retrofit and life-cycle replacement project to establish a physical on-site presence to effectively supervise the construction activities and amend the contract accordingly.	Important	O	Submission of copy of the assessment of the need for an on-site presence of the LCF.	31 December 2018

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by ESCAP in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

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

Rec. no.	Recommendation	Critical/ Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
6	ESCAP should, in consultation with OCSS and the lead consultant firm: (a) finalize plans to implement the new on-site swing space strategy for the seismic mitigation retrofit and life-cycle replacement project; and (b) report the reprogramming of the entire \$5.4 million for the on-site swing space to the General Assembly.	Important	O	Submission of the finalized implementation plans for the swing space strategy and the report to the General Assembly detailing the reprogramming of the related \$5.4 million.	31 December 2018
7	ESCAP should, in consultation with OCSS, establish proper change order mechanisms and procedures with appropriate procurement authority for the seismic mitigation retrofit and life-cycle replacement project.	Important	O	Submission of evidence of the establishment of change order mechanisms and procedures with appropriate delegated procurement authority.	31 December 2018
8	ESCAP should develop a strategy for anticipated high value procurement activities to ensure that they are executed timely to avoid negative impact on the completion of the seismic mitigation retrofit and life-cycle replacement project.	Important	O	Submission of the strategy for the procurement of high value items.	31 December 2018

# **APPENDIX I**

## **Management Response**

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	ESCAP should: (i) review the observer status of United Nations agencies in the Stakeholders' Committee and assess whether their full membership in the Committee would provide better diversity in advising the Project Owner on the implementation of the seismic mitigation retrofit and life-cycle replacement project; and (ii) ensure that the Stakeholders' Committee meets regularly and provides feedback and guidance regarding important issues related to the implementation of the project.	Important	No	Director of Administration	31 December 2018	<p>ESCAP does not agree to component (i) but is prepared to accept component (ii).</p> <p>In accordance with OCSS' guidance, ESCAP has established the Stakeholders' Committee. The role of the Committee is well documented in A/71/333 paragraphs 74 and 75 which was subsequently approved by the GA in A/RES/71/272. It should be noted that a number of working groups have been established under the Committee focusing on specific areas such as sustainability, accessibility, and occupational health and safety. Diversity in membership in these</p>

<sup>1</sup> 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.

<sup>2</sup> 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.



## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						working groups have been sought.  The Project is funded from regular budget and representatives from non-Secretariat offices are included in the Stakeholders' Committee as observers. The administration deems this arrangement to be suitable, and intends to continue accordingly.
2	ESCAP should expedite the recruitment of the remaining staff for the seismic mitigation retrofit and life-cycle replacement project to establish a fully operational project management team.	Important	Yes	Senior Programme Management Officer	31 March 2019	ESCAP agrees to expedite the recruitment process of the remaining posts.
3	ESCAP should finalize the project management plan and take action to implement an appropriate project information management system to facilitate the monitoring and oversight of the seismic mitigation retrofit and life-cycle replacement project.	Important	Yes	Senior Programme Management Officer	31 December 2018	ESCAP agrees to finalize the project management plan and implement a project information management system.
4	ESCAP should, in consultation with OCSS, establish a system of third-party peer review of the technical designs produced by the lead consultant firm for the seismic mitigation retrofit and life-cycle replacement project to ensure quality of designs and avoid risks of	Important	Yes	Senior Programme Management Officer	31 March 2019	ESCAP is reviewing a request for proposal for a contract that had been used by the Economic Commission for Africa as reference for hiring a

## Management Response

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

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	costly change orders and delay in project implementation.					third-party peer review firm.
5	ESCAP should, in consultation with OCSS, assess the need for the lead consultant firm for the seismic mitigation retrofit and life-cycle replacement project to establish a physical on-site presence to effectively supervise the construction activities and amend the contract accordingly.	Important	Yes	Senior Programme Management Officer	31 December 2018	ESCAP agrees to assess such a need.
6	ESCAP, in consultation with OCSS and the lead consultant firm, should: (a) finalize plans to implement the new on-site swing space strategy for the seismic mitigation retrofit and life-cycle replacement project; and (b) report the reprogramming of the entire \$5.4 million for the on-site swing space to the General Assembly.	Important	Yes	Senior Programme Management Officer	31 December 2018	ESCAP agrees to finalize plans to implement the new on-site swing space strategy and to report the reprogramming of the \$5.4 million.
7	ESCAP should, in consultation with OCSS, establish proper change order mechanisms and procedures with appropriate procurement authority for the seismic mitigation retrofit and life-cycle replacement project.	Important	Yes	Director of Administration	31 December 2018	ESCAP commits to establish proper change order mechanisms and procedures.
8	ESCAP should develop a strategy for anticipated high value procurement activities to ensure that they are executed timely to avoid negative impact on the completion of the seismic mitigation retrofit and life-cycle replacement project.	Important	Yes	Chief of Procurement Unit	31 December 2018	ESCAP agrees to develop such a strategy.