



INTERNAL AUDIT DIVISION

REPORT 2022/088

Audit of financial and administrative management in the Economic and Social Commission for Western Asia

The secretariat needed to improve its control environment and internal controls over financial and administrative processes

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Audit of financial and administrative management in the Economic and Social Commission for Western Asia

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of financial and administrative management in the Economic and Social Commission for Western Asia (ESCWA). The objective of the audit was to assess the adequacy and effectiveness of the management of financial and administrative processes in ESCWA. The audit covered activities from 1 January 2020 to 30 June 2022 and included higher and medium risks areas in: (a) control environment; (b) human resource management; (c) management of procurement activities; and (d) construction project management.

ESCWA embarked on reforms to better respond to the region's development priorities and implement the 2030 Agenda. It was, however, yet to undertake a review of their implementation to identify initial lessons learned and make any adjustments required. The control environment was adversely affected by long vacancies in some senior management positions; inconsistent involvement of the executive advisory team in the review and approval of projects; inadequate monitoring of delegation of authority; and sub-optimal operations of the staff-management consultative body, the Joint Advisory Council (JAC). ESCWA also made significant changes to its operating modality without the benefit of strategic and operational workforce planning. In addition, there were several lapses in the procurement process including inadequate demand and acquisition planning and technical evaluation of bids. ESCWA undertook the remodeling of the United Nations house without a comprehensive business case and an adequate project management structure. ESCWA explained that it had to find new ways of doing business in an environment of overlapping and consecutive crises that were further compounded by the financial liquidity crisis across the Organization. New work methods and tools adopted, had helped ESCWA to maintain responsiveness and address emerging and evolving priorities in the region as well as to attend to staff concerns.

OIOS made 13 recommendations. To address issues identified in the audit, ESCWA needed to:

- Initiate an independent evaluation of its reform programme as well as digital portals and processes that were launched in support of the new operating model;
- Establish a robust mechanism for capturing and reporting exceptions to administrative instructions in a timely manner and develop an action plan to improve performance in areas of the delegation of authority monitoring framework that were below the desirable thresholds;
- Regularize the execution of the delegated procurement authority;
- Review the operations and composition of JAC to enhance its effectiveness;
- Conduct strategic and operational workforce planning and develop and implement a human resources strategy that includes recruitment and training plans;
- Ensure resources for staff posts are used as approved in programme budgets and that general temporary assistance replacement positions and personnel action type modification of post incumbency are only used as outlined in guidelines;
- Ensure United Nations Volunteers are recruited on a competitive basis;
- Strengthen the acquisition planning, procurement and contracts management functions;
- Strengthen the capacity of the Procurement Unit, especially in light of additional responsibilities of being service provider to United Nations system entities;
- Strengthen technical evaluations of bidding documents by selecting an appropriate mix of personnel with the right skill set and experience to be members of technical evaluation committees;
- Ensure members of the Local Committee on Contracts undertake prerequisite training before assuming responsibilities;

- Commence issuing written notifications to unsuccessful bidders of formal solicitations; and
- Develop terms of reference for the construction project management team as well as construction project management guidelines.

ESCWA accepted the recommendations, implemented two, and initiated action to implement the remaining. Actions required to close these recommendations are indicated in Annex I.

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Audit of financial and administrative management in the Economic and Social Commission for Western Asia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of financial and administrative management in the Economic and Social Commission for Western Asia (ESCWA).
2. ESCWA was established on 9 August 1973 to foster comprehensive, equitable, integrated and sustainable development through effective economic and social cooperation in the region. ESCWA objectives are to: (a) support economic and social development in member countries; (b) promote interaction and cooperation; (c) encourage the exchange of experience, best practices and lessons learned; (d) achieve regional integration and ensure interaction between Western Asia and other regions; and (e) raise global awareness of the circumstances and needs of member countries.
3. The Commission comprises 20 Member States in Western Asia, who meet biennially to provide overall direction to the work of the secretariat and to report to the Economic and Social Council. Eleven inter-governmental legislative and consultative committees provide substantive guidance to seven subprogrammes. These include the Executive Committee, Statistical Committee, and the Committees on Social Development, Energy, Water Resources, Transport and Logistics, Women, Technology for Development, Financing for Development and Trade Policies. The Committees assist the Commission in formulating the ESCWA work programme in their respective areas of competence and serve as points of interaction on programmatic issues between the specialists of member countries and substantive staff of the ESCWA secretariat. These Committees report to the ministerial session of the Commission.
4. In June 2019, ESCWA embarked on an internal reform programme aimed at improving its operations in an agile, effective and innovative manner. The new way of working was based on the following principles: (a) efficiency through effectiveness; (b) striking a balance between centralization and decentralization; and (c) innovation through cross-specialization. The reform necessitated major changes to the organizational structure of ESCWA shifting from a centralized to a decentralized organization. The new proposed structure was organized into six clusters, working through empowered multidisciplinary teams and centred around a portfolio of projects.
5. The six clusters or subprogrammes are: (a) climate change and natural resources sustainability; (b) gender justice, population and inclusive development; (c) shared economic prosperity; (d) statistics, the information society and technology; (e) 2030 agenda and Sustainable Development Goals coordination; and (f) governance and conflict prevention.
6. ESCWA is led by an Executive Secretary at the Under-Secretary-General level and supported by two Deputy Executive Secretaries at the D-2 level. ESCWA's expenditure for 2020 amounted to \$41 million and the proposed programme budget for 2021 and 2022 amounted to \$64 million and \$59 million, respectively. The 2021 budget comprised \$54 million from the regular budget and \$9 million from extrabudgetary and programme support, while the 2022 budget comprised \$51 million from the regular budget and \$8 million from extrabudgetary and programme support. The number of posts for 2022 was 291, one post less than for 2021.
7. Comments provided by ESCWA are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of the management of financial and administrative processes in the ESCWA.

9. This audit was included in the 2022 risk-based work plan of OIOS due to the risk that potential weaknesses in financial and administration management could adversely impact implementation of the mandate of the secretariat.

10. OIOS conducted this audit from July to September 2022. The audit covered activities from 1 January 2020 to 30 June 2022. Based on an activity-level risk assessment, the audit covered higher and medium risk areas, which included: (i) control environment; (ii) human resource management; (iii) management of procurement activities; and (iv) construction project management.

11. The audit methodology included: (a) interviews of 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. Control environment

There was a need to evaluate the organizational reforms at ESCWA

13. As part of ongoing reforms, ESCWA adopted a cluster approach to implement its mandate organized around six interdependent and complementary subprogrammes. The clusters are headed by cluster heads at the D-1 level, and cluster members are free to work on any approved projects either in their cluster or in other clusters.

14. Other organizational changes and innovations included the development of online tools to leverage new technologies in providing interactive modelling and support for policy development that were not previously available to Member States. To this effect, ESCWA developed applications and digital knowledge hubs such as the Project LifeCycle (Project Canvass) to manage and monitor implementation of its projects, the Manara Portal (Regional Knowledge and Data Hub), and other interactive dashboards to enhance understanding of the impact of interventions in one policy area on other policy areas. In conjunction with other data systems, ESCWA intended to expand research capacity through increased use of machine-intelligent analysis while tailoring and focusing results to support policy design and real-time risk/benefit analysis of Member States' decisions. However, ESCWA needed to explore how to optimize the use of such systems/applications. For example, ESCWA uses multiple systems to record its programmatic activities such as the Project LifeCycle, Umoja Strategic Management Application and Umoja Integrated Planning, Management and Reporting solution. These systems are not interfaced, which results in inefficiencies as similar data needed to be captured several times.

15. The reforms also introduced an open space concept to maximize office space utilization, accommodate other agencies under the Secretary-General's efficiency agenda, and promote a more collaborative environment across administrative boundaries. Additionally, the reforms flattened the reporting structures (hierarchy) to streamline processes and promote more efficient and effective use of human and financial resources. The hard reporting lines of the previous structure were relaxed, and staff

were given the opportunity to contribute to projects of their choice beyond their clusters. While the new flattened structure had its benefits, ESCWA was still working to resolve issues relating to authority, responsibility and reporting lines.

16. All these changes were anticipated to require new skills and capacities. There were, however, sentiments, including in the staff-management consultative body, the Joint Advisory Council (JAC), that staff had not been fully consulted during the planning and implementation of the reform agenda; some staff felt that ownership of the change rested mainly with senior management, in particular the Executive Secretary. ESCWA stated that staff had been consulted in town hall meetings, brainstorming sessions and targeted debates and retreats with the executive advisory team. In addition, the reform documents had been broadcasted, feedback collected, surveys conducted and focus group discussions held.

17. ESCWA had not yet undertaken an evaluation of its reforms. In April 2021, staff representatives through JAC, requested management to assess the reform programme since by then, it had been more than a year after it was initiated. They made a second request in December 2021, calling on management to conduct an anonymous survey on the impact of the reform and take on board the views and concerns of staff to identify what was working well and what needed to be improved. Senior management stated that consultation and feedback with staff will continue but an evaluation would only be undertaken once the reforms were fully implemented. However, an evaluation at that stage would miss the opportunity to assess progress towards achieving the planned reform objectives and address any issues related to its design, implementation or management.

18. OIOS is of the view that having devised new, agile ways of working and implemented significant structural changes that considerably impacted the delivery model of work outputs, ESCWA needed to evaluate whether the reforms were delivering as anticipated and the impact on staff. Evaluation of ESCWA's reform should inform the development of ESCWA's forthcoming long-term strategic plan and support the vision of the Executive Secretary.

(1) ESCWA should initiate an independent evaluation of its reform programme as well as digital portals and processes that were launched in support of the new operating model, with a view to informing management about both areas of excellence and areas that require strengthening to support the delivery of its mandate.

ESCWA accepted recommendation 1 and stated that it would initiate an evaluation by October 2024, as the reforms had been interrupted by the economic crisis in the host country, COVID-19 pandemic and Beirut port blast in 2020, which distracted ESCWA's attention and efforts from finding new ways of doing business. Furthermore, the results of the reform still needed time to materialize for staff to fully embrace and look at the new mode of work from a certain distance, and for feedback to be built on a solid ground of information and facts as opposed to strictly reactive positions to change.

Management authorities and responsibilities needed further clarification

19. The control environment is the foundation on which effective systems of internal control are built and operated to achieve strategic and business objectives as well as to ensure compliance with all applicable laws and regulations. The control environment comprises an entity's organizational structure, processes, policies and standards that are utilized to maintain control across the organization. Critical among these are the establishment of appropriate authorities and responsibilities and a commitment to attract, develop and retain competent individuals to drive achievement of an organization's objectives.

20. ESCWA had several senior positions that were vacant and encumbered by staff in an acting capacity for extended periods of time. As indicated in Table 1, some positions had been vacant since 2018.

ESCWA stated that recruitment actions for these positions had been deferred pending completion of the reform of the structure of the secretariat and temporary freeze on recruitment in 2019 and 2020 due to the liquidity challenges in the United Nations. Following relaxation of restrictions in May 2021, ESCWA prioritized recruitment of programmatic positions to ensure that ESCWA could continue to deliver on the mandate, which left senior positions in the Resource Management and Service Development Division (RMSDD) vacant. The economic and financial situation in Lebanon, Beirut port blast and COVID-19 outbreak also contributed to ESCWA not being able to attract competent staff at the professional level.

Table 1: Vacant senior positions since 2018

| <i>Category</i> | <i>Role</i> | <i>From</i> | <i>To</i> |
|-----------------|------------------------------------|---------------|--------------|
| D-2 | Deputy Executive Secretary | April 2019 | Date |
| P-5 | Chief of Finance | June 2019 | Date |
| P-5 | Chief of People Management Central | July 2019 | May 2022 |
| P-4 | Chief of Facilities Management | October 2018 | May 2021 |
| P-3 | Chief Procurement Officer (CPO) | February 2018 | August 2021* |

*Vacant since September 2022 and replacement selected

21. While the Deputy Executive Secretary and Chief, People Management Central (PMC) positions were filled temporarily, these vacancies, nonetheless, created leadership gaps at the strategic level and potentially weakened the control environment as acting officials might not always conduct their functions taking a long-term view or with the confidence and authority as the substantive holder of the position.

22. An executive advisory team comprising the Executive Secretary, Deputy Executive Secretaries and cluster leaders was formed in January 2021. Their functions included developing the organizational vision and objectives and ensuring coherence and synergies among clusters. However, the involvement of the executive advisory team in the review and approval of projects was sub-optimal. A review of the Project LifeCycle (Project Canvas)¹ showed that less than half of the executive advisory team members participated regularly in the review and approval of projects that were core to mandate implementation. This created a perception of lack of ownership of the projects by cluster heads. With the flat structure introduced by the reforms, some teething issues needed to be resolved regarding reporting lines, responsibility and authority. OIOS discussions with selected staff revealed that reporting lines were blurred in some cases, with a feeling that supervisors were sometimes made responsible for the performance of staff over whom they did not have full authority.

23. Recommendation 1 addresses this issue.

Need to strengthen monitoring and reporting of delegated authority

24. As part of the accountability framework on delegation of authority (DoA), the Business Transformation and Accountability Division (BTAD) in the Department of Management Strategy, Policy and Compliance (DMSPC) monitors the exercise of delegated authorities through 16 key performance indicators (KPIs). An analysis of the KPIs indicated that ESCWA had mixed performance across the 16 areas of delegated authority. As of 30 June 2022, the secretariat was below the desirable thresholds in nine areas, recording fluctuating performance in three and satisfactory performance in four others as shown in Table 2.

¹ This is a system developed by ESCWA that records all information about its projects or programmatic activities from expected outputs/outcomes, staff allocations and budgetary allocations. The information is manually input into the system as it has no interface with Umoja.

Table 2: KPIs performance matrix as at 30 June 2022

| <i>Indicator</i> | | <i>Performance</i> | | |
|----------------------------|---|---------------------|--------------------|-----------------------------------|
| | | <i>Satisfactory</i> | <i>Fluctuating</i> | <i>Below desirable thresholds</i> |
| Human resources | | | | |
| KPI 1 | Equitable geographical distribution | | | √ |
| KPI 2 | Gender diversity | | | √ |
| KPI 3 | Recruitment process | √ | | |
| KPI 4 | Conduct and discipline matters - mandatory training | | √ | |
| KPI 5 | Conduct and discipline matters - assessment of complaints | | √ | |
| KPI 6 | Exceptions to administrative instructions | | | √ |
| Finance | | | | |
| KPI 7 | Use of funds - expenditure against monthly allotment | √ | | |
| KPI 8 | Management of voluntary contributions | √ | | |
| KPI 9 | Service provider cost recovery | | √ | |
| KPI 10 | Timely payment to service providers | | | √ |
| Procurement | | | | |
| KPI 11 | Utilization of long-term contracts | | | √ |
| KPI 12 | Utilization of formal methods of solicitation | | | √ |
| KPI 13 | Proper planning for goods and services | | | √ |
| Travel | | | | |
| KPI 14 | Compliance with 16-day advance purchase | | | √ |
| Property management | | | | |
| KPI 15 | Prevention of loss of property | | √ | |
| KPI 16 | Write-off and disposal of property | | √ | |

25. While DMSPC had developed a management dashboard to provide access to a range of information beyond the KPIs through the interactive Accountability Indicator Monitoring tool, only three officials in ESCWA had access to the tool (Executive Secretary, Chief, People Management Central Section (PMC)² and DoA focal point). The DoA focal point provided quarterly dashboard results to relevant section heads in finance, property management and procurement. However, direct access to the dashboard would enable the section heads to more promptly validate or reconcile the KPIs reported by BTAD with those generated internally and provide action plans to the DoA focal point to address unfavourable performance. This will help to hold officials more accountable for performance improvements in their areas of responsibility.

26. Further, the DoA guidelines require that for a head of entity to exercise delegated procurement authority, the entity must have sufficient procurement capacity consisting of at least two fully dedicated, trained and qualified procurement officials, one of whom must be at the P-3 or FS 6 as a minimum. Any exception requires advance agreement by the Under-Secretary-General for Operational Support. The ESCWA procurement function did not have an official at the P-3 officer level for over two years since the DoA framework came into effect and ESCWA had not obtained the required exception. The CPO position is currently vacant³. In addition, the control to ensure that staff acted within their delegated procurement authority was rendered ineffective as the approval thresholds for procurement staff were not recorded in Umoja and staff were able to approve purchase orders above their limits in the system. ESCWA instituted a workaround whereby procurement staff obtained prior approval via email from the Director, RMSDD for purchase orders that exceeded their limits, but the required approvals were not always obtained.

27. BTAD reports for quarters 3 and 4 of 2021 and quarter 1 of 2022 revealed 30 administrative exceptions that were not reported and included in the exceptions log: five cases of engagement of consultants beyond 24 months within a 36 month-period, 11 cases of human resource partners not having

² Was granted access in June 2021

³ Selected candidate expected to assume duty in February 2023

DoA on the portal despite having roles in Umoja, 1 case of reduced break-in service between staff appointments and 2 cases of special post allowance issued retroactively for more than a year. ESCWA has since raised ex post facto requests for approval to regularize some of these exceptions.

28. These deviations occurred because ESCWA did not have a robust mechanism to identify and promptly report administrative exceptions. In addition, while training was provided to the DoA focal point on the use of dashboards, this was yet to be provided to the Chief, PMC. Failure to, and late reporting of exceptions could impair BTAD's monitoring of sub-delegatees' compliance with administrative issuances and adversely impact the control environment.

(2) ESCWA should: (a) establish a robust mechanism for capturing and reporting exceptions to administrative instructions in a timely manner; (b) enhance access to management dashboards by relevant section chiefs to review quarterly reports; and (c) develop an action plan to improve performance in the areas of the delegation of authority monitoring framework that are below the desirable thresholds.

ESCWA accepted recommendation 2 and stated that it was in the process of developing standard operating procedures (SOPs) for capturing and reporting exceptions to administrative instructions. New users of the management dashboard had been granted access (Office of the Director, RMSDD, Officers-in-Charge of RMSDD and Finance Section, and the Administration Officer on behalf of the Procurement and Property Management Units until their heads are recruited) and training conducted. The action plan for improving performance in the areas of the delegation of authority monitoring framework that were below the desirable thresholds, was also being developed.

(3) ESCWA should take action to regularize the execution of the delegated procurement authority, including by obtaining clearance from the Under-Secretary-General for Operational Support to conduct procurement without the minimum staffing requirements and capturing procurement thresholds for all procurement staff in Umoja, in accordance with their delegation of authority.

ESCWA accepted recommendation 3 and stated that it had obtained an exception from the Under-Secretary-General for Operational Support to conduct procurement without the minimum staffing for a period of six months, while the recruitment of a CPO was being finalized. In addition, the thresholds of all procurement staff had been captured in Umoja, in accordance with their delegated authority. Based on the action taken by ESCWA, recommendation 3 is closed as implemented.

Need to review operations of the Joint Advisory Council

29. JAC is a body that advises and makes recommendations to heads of offices on issues relating to staff administration, conditions of service and general well-being of staff. United Nations guidelines on the establishment and operation of JAC require the Council to meet regularly, preferably monthly. The chairperson should be selected by the head of office from a list proposed by the local staff council. The guidelines further require that two copies of all minutes, working papers and reports should be sent to the Office of Human Resource (OHR) at United Nations Headquarters.

30. A review of records showed that JAC only met three times in the audit period; once in 2020, twice in 2021 and had not met in 2022. In addition, there were no schedules for its meetings. Nonetheless, the Executive Secretary and some JAC members held informal meetings from time to time to resolve urgent emergent issues. While JAC provided written minutes of its meetings, there was no evidence that they had been sent to OHR as required. There was also no evidence that action points from the meetings were monitored to ensure adequate follow-up. OIOS noted that some agenda items were repeated such as reforms

and restructuring of ESCWA and renewal of staff contracts, implying that they continued to be of concern. Considering that JAC discusses staff matters, it would also be important to ensure that PMC is represented at their meetings. The current composition does not include any senior representation from PMC.

31. Furthermore, the Chairperson of the JAC was the Executive Secretary. While this practice could facilitate quick implementation of JAC decisions, it was contrary to guidelines and created a potential conflict of interest. JAC should have the latitude to freely determine when to convene meetings and to bring matters to the attention of management as they deem fit, independent of the Executive Secretary.

(4) ESCWA should review the operations and composition of the Joint Advisory Council to enhance its effectiveness by ensuring that: (a) it holds its meetings regularly and includes representation from the People Management Central Section; (b) action points are monitored and their implementation reported in subsequent meetings; and (c) the Chairperson is chosen by the Executive Secretary from a list proposed by the local staff council.

ESCWA accepted recommendation 4 and stated that the Office of the Executive Secretary would coordinate with the Staff Council and PMC to address the above matters in line with JAC guidelines.

B. Human resources management

There was no evidence of workforce planning

32. As part of its reforms and to renew the skill set of the workforce, ESCWA took a number of human resources management decisions. However, these were not implemented within the context of a strategic or operational workforce planning exercise that was based on an analysis of the secretariat’s mandates, programme priorities and implementation methodologies, and resulting in the determination of the competencies required of the workforce. ESCWA had also not developed a strategy or action plan to align staffing capacities with its operational requirements through recruitment, learning and development, agreed terminations and non-staff modalities.

(a) Talent acquisition

33. As of 30 June 2022, ESCWA had 50 vacancies representing a vacancy rate of 20 per cent. Nine positions had remained vacant since 2019, 2 since 2020, 10 since 2021 and the rest arose in 2022. ESCWA commented that as of 7 November 2022, vacancy rates at the professional and general service levels were 18.2 per cent and 17 per cent, respectively, against budgeted vacancy rates of 14.8 per cent and 8.3 per cent.

Table 3: Vacancies as of 30 June 2022

| <i>Category</i> | <i>No. of established posts</i> | <i>Vacancies</i> | <i>Vacancy rate</i> |
|-----------------|---------------------------------|------------------|---------------------|
| USG | 1 | - | - |
| D-2 | 2 | 1 | 50% |
| D-1 | 8 | 1 | 13% |
| P-5 | 25 | 7 | 28% |
| P-4 | 34 | 4 | 12% |
| P-3 | 30 | 7 | 23% |
| P-2 | 18 | 6 | 33% |
| NPO | 4 | 0 | - |
| LL | 129 | 24 | 19% |
| Total | 251 | 50 | 20% |

Abbreviations: NPO, National professional officers; LL, Local level

34. In addition, ESCWA used a total of 254 GTA replacement positions over the audit period to meet its staffing needs, 107 of which were actively in use as of 7 November 2022. ESCWA explained that 27 of the GTA replacement positions were funded from the Regular Programme of Technical Cooperation (RPTC), 36 from extrabudgetary resources, 15 from the programme budget and 3 from Development Account, while 26 were unbudgeted. The unbudgeted positions were funded from unutilized resources for posts and were used for extended periods of time. According to the Secretary-General's report on GTAs (A/C.5/54/33), GTA replacement positions are to be used to replace staff on maternity or sick leave or to ensure adequate staffing during peak workload periods.

35. The Acting Chief of Finance stated that the GTA replacement positions were created under the delegated authority of the head of entity and used, among others, to temporarily assign staff to higher grades pending the availability of established posts at those grades. This was done because there were no fixed positions to accommodate staff who had been offering critical services for mandate implementation. However, required changes in the profile of ESCWA staff needed to be based on strategic workforce planning and effected through the budgetary process with approval from the General Assembly. This will ensure that the approved budget is implemented in accordance with the intent of the governing body. Recommendation 6 addresses this issue.

36. As the ESCWA reforms were project-based, the number of ongoing projects had increased from an average of 35 at the end of 2020 to about 50 as of June 2022. In the absence of a human resources management strategy and recruitment plan, staffing requirements were only determined once a project had been approved by senior management and the total number of personnel on short-term non-staff modalities (individual contractors, consultants and United Nations Volunteers (UNVs)) had increased significantly as shown in Table 4. Funds were redeployed from underutilized regular budget resources for posts to fund these positions.

Table 4: Non-staff human resources recruited over the audit period

| <i>Category</i> | <i>Year 2022**</i> | | <i>Year 2021</i> | | <i>Year 2020</i> | |
|------------------------|--------------------|--------------------|------------------|--------------------|------------------|--------------------|
| | <i>Number</i> | <i>Expenditure</i> | <i>Number</i> | <i>Expenditure</i> | <i>Number</i> | <i>Expenditure</i> |
| Individual contractors | 220 | 1,224,443 | 217 | 1,852,015 | 154 | 1,063,556 |
| Consultants | 172 | 1,853,285 | 339 | 4,001,560 | 278 | 4,317,471 |
| UNVs | 69 | 971,792 | 45 | 987,569 | 8 | 115,597 |
| Total | 461 | 4,049,520 | 601 | 6,841,144 | 440 | 5,496,624 |

** Figures as at 30 June 2022

37. While the short-term personnel enabled ESCWA to acquire skills that could not be met from within its current staff resources, ESCWA had not conducted a comprehensive mapping of skills against its evolving demand to identify the training needs of the workforce and develop requisite training plans. Recognizing that project management skills had become pivotal to ESCWA's new mandate implementation approach, the Strategy, Planning, Accountability, Results and Knowledge Section conducted results-based management training to help bridge skills gaps, but other training courses were not identified, such as project management training offered by OHR.

38. The Chief, PMC stated that ESCWA did not develop a recruitment plan because of difficulty in planning following a global freeze on recruitment in 2020 but that they were in the process of establishing a framework recruitment plan by end of 2023. Accordingly, they were scheduled to meet with cluster leaders before the end of the year 2022 to identify recruitment needs and will create a draft recruitment schedule accordingly.

(b) Agreed termination

39. ESCWA identified staff for separation on early retirement and offered agreed terminations to 13 staff members who were nearing retirement. Also, the appointments of 20 staff on fixed-term contracts were not extended. However, there were no documented criteria for identifying candidates for termination and there was a risk that the process could be viewed as lacking objectivity. ESCWA stated that it anticipated to achieve efficiency and productivity gains and acquire new skills relevance from the termination exercise.

(5) ESCWA should conduct strategic and operational workforce planning and develop and implement a human resources strategy that includes recruitment and training plans, to ensure that the staff complement is aligned with and supports the secretariat's priorities with appropriate and relevant skill sets that are critical for mandate delivery.

ESCWA accepted recommendation 5 and stated that PMC would develop a strategy to map available resources against the evolving demand, identify the resource gap, and propose creative and sustainable solutions, including training packages, workforce planning and reprofiling exercises in collaboration with OHR.

Misuse of modification of post incumbency

40. The personnel action type modification of post incumbency (MPI) is used to move staff from one post to another due to promotion, change of duties or other related reasons. In 2021, ESCWA effected 31 MPIs, all of which were for staff members who never changed roles but remained in their sections/clusters doing the same job. In 19 of these cases, the new posts and titles were unrelated to the jobs that they were doing. For instance, moving a human resources officer to an economics officer position. In 2022, there were 138 MPIs,⁴ 23 of which were to move staff to posts unrelated to the work done by them. In addition to ensuring continued funding of vacant programme budget positions, the MPIs subsidized activities funded by other budgetary sources (such as RPTC and extrabudgetary) that did not have sufficient resources, thereby taking advantage of underutilized programme budget funds occasioned by high vacancy rates. ESCWA explained that the administrative decision was taken as a workaround to not interrupt operations due to funds insufficiency. Following the audit exit conference on 23 September 2022, ESCWA discussed the funding issue with the Programme Planning and Budget Division (PPBD) in the Office of Programme Planning, Finance and Budget, considering the high post adjustment rate on its budget. PPBD was supportive to increase the RPTC budget after reversal of the MPIs, which ESCWA indicated that it had completed. While ESCWA had addressed the issue in this instance, it needed to establish measures to ensure MPIs are used as intended.

(6) ESCWA should establish measures to ensure that resources for staff posts are used as approved in programme budgets and that general temporary assistance replacement positions and personnel action type modification of post incumbency are only used as outlined in guidelines.

ESCWA accepted recommendation 6 and stated that it had commenced actions to address vacancy rates for both professional and local staff levels, and the 26 unbudgeted GTA positions would be included in the 2024 budget. Pursuant to the exit meeting held on 23 September 2022, ESCWA took immediate action to ensure management of the staffing table in compliance with financial rules and regulations. All MPIs

⁴ Excludes 109 MPIs that were effected to refresh positions in Umoja to implement the flat organization structure as a result of the ESCWA reforms. As they were mandatory from a system perspective, they were not included in the analysis.

effected for administrative purposes and funds insufficiency were reversed and a request form has been put in place to document MPIs when needed and ensure they are justified by substantive reasons.

ESCWA improved recruitment timelines to within 120 days in 2021 and 2022

41. ESCWA improved the timelines for recruitment activities initiated during the audit period. As shown below, ESCWA took an average 82 days in 2022 to complete regular recruitments, an improvement of 62 days from 144 days in 2020. Overall, 67 per cent of recruitments were completed within the 120-day threshold. The improvement was largely due to actions taken by management to hold hiring managers more accountable and ensure they prioritized and completed evaluations of applicants timely. OIOS concluded that controls around the recruitment timelines were effective. In addition, four P-4 staff promoted to P-5 in the period had attained the required lateral moves in addition to other prerequisites.

Table 5: Analysis of recruitment timelines

| <i>Mode of recruitment</i> | <i>Average number of days taken</i> | | | <i>Recruitment completed</i> | | <i>Total recruitments</i> | <i>Percentage recruitments completed</i> | |
|----------------------------|-------------------------------------|-------------|-------------|------------------------------|-------------|---------------------------|--|-------------|
| | <i>2022</i> | <i>2021</i> | <i>2020</i> | <i>On time</i> | <i>Late</i> | | <i>On time</i> | <i>Late</i> |
| Regular recruitment | 82 | 87 | 144 | 73 | 36 | 109 | 67% | 33% |
| Temporary jobs | 41 | 68 | 52 | 43 | 5 | 48 | 90% | 10% |
| Total | | | | | | 157 | | |

Need to review recruitment of UNVs

42. The UNV recruitment policy requires United Nations entities to use competitive selection procedures and only apply direct recruitment⁵ when a competitive process is not feasible.

43. Over the audit period, ESCWA recruited 76 UNVs, all of whom were via direct recruitment. Thirty-seven were recruited directly as UNVs, while 39 were initially recruited as individual contractors and later converted to UNVs at the expiration of their contracts, thereby extending their engagement beyond the limit of six months, or exceptional nine months, tenure for individual contractors. Ten UNVs and 30 consultants and individual contractors were subsequently recruited as staff under fixed-term contracts. ESCWA explained that the recruitment of such workforce was of additional value to the Organization, as they provided an opportunity to acquire the new skills and qualifications needed for projects. However, the use of direct recruitment as the sole mode of recruitment of UNVs by-passes the competitive selection requirements. The guidelines on direct recruitment of UNVs were not documented to ensure recruitments were fair and transparent and guard against the perception of favouritism for friends, associates or family members. UNVs were also not required to declare family members in the United Nations as part of engagement requirements.

44. Additionally, while the performance of UNVs was required to be regularly assessed, there was no evidence that this was done. No performance appraisals were sent to PMC as a basis for contract renewals and neither were they sent to UNV headquarters as required.

⁵ Direct recruitment relates to identification of an individual(s) for recruitment as UNV through personal recommendations. This is undertaken when a UN entity cannot conduct a competitive recruitment process due to an emergency or exigent circumstances, as determined by the entity and confirmed by the UNV Regional Office. It is also used to facilitate the UN entity’s goal of diversity and inclusion or to enable an individual to continue to do similar tasks with a UN entity that began under a non-UNV contract and that can be properly adapted to the requirements of a UNV assignment.

(7) ESCWA should: (a) review its recruitment practices for United Nations Volunteers to ensure they are conducted on a competitive basis; and (b) ensure the performance of Volunteers is evaluated periodically and the results used as inputs during contract renewals.

ESCWA accepted recommendation 7 and stated that it had commenced actions to address the recommendation and would coordinate with the United Nations Development Programme on the matter.

C. Management of procurement activities

Need to strengthen the acquisition planning, procurement and contracts management functions

45. The acquisition plan for ESCWA grew from \$6.4 million in 2021 to \$10.6 million in 2022 largely due to an increase in professional services associated with programme implementation. Sixty-five per cent of purchase value was related to local contracts. Effective supply chain management requires holistic demand, acquisition, source and delivery planning, complemented with adequate contracts management. A review of these processes at ESCWA indicated some areas that needed improvement as follows:

a) Demand and acquisition planning functions should be strengthened

46. The demand and acquisition planning functions in ESCWA were performed by the respective sections in collaboration with the Procurement Unit. While a procurement plan was prepared for 2022, there was no evidence that it was approved by senior management and the detailed needs assessment that supported the plan was not available. In addition to the 2022 procurement plan, the Procurement Unit maintained acquisition plans for 2021 and 2022, but these were not aligned to either the 2021 or 2022 budgets or to the 2022 procurement plan. Maintaining a procurement plan in addition to acquisition plans was a duplication of effort. Also, the acquisition plans were not used to monitor the implementation of acquisition activities and there was no evidence that the Procurement Unit held regular discussions with cluster/sections on their acquisition activities. The Procurement Unit stated that discussions were held from time to time; however, they were not regular or formal as the Procurement Unit only had two staff for part of 2020.

47. The above resulted in purchases being concentrated in the last quarter of the year, as seen in Figure 1. The weaknesses in the demand and acquisition function were partly because, other than staff in Procurement Unit, all other staff involved in acquisition of goods and services had not undertaken the seven mandatory procurement training required in the ST/SGB/2018/4 (United Nations mandatory learning programmes), despite reminders by the CPO.

Figure 1: Analysis of monthly purchase orders from January 2020 to June 2022

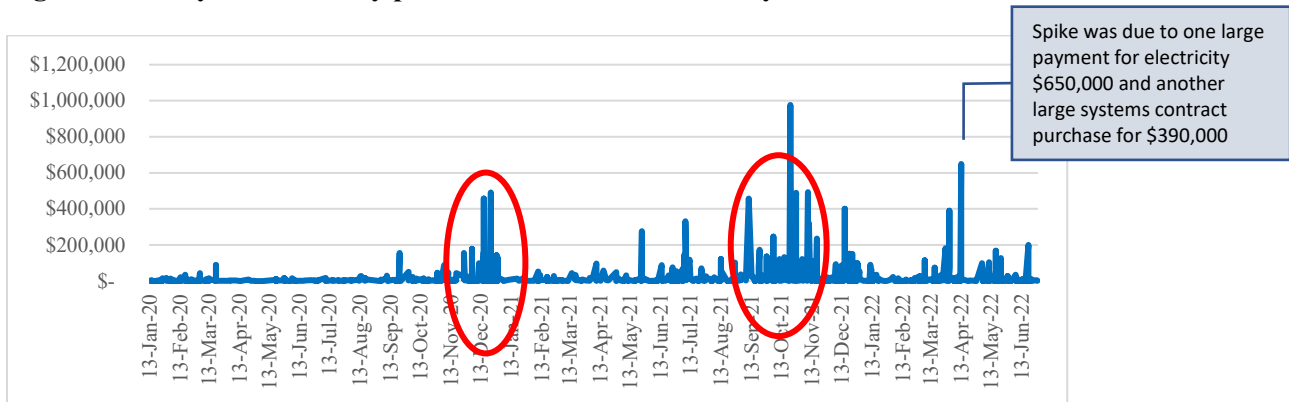
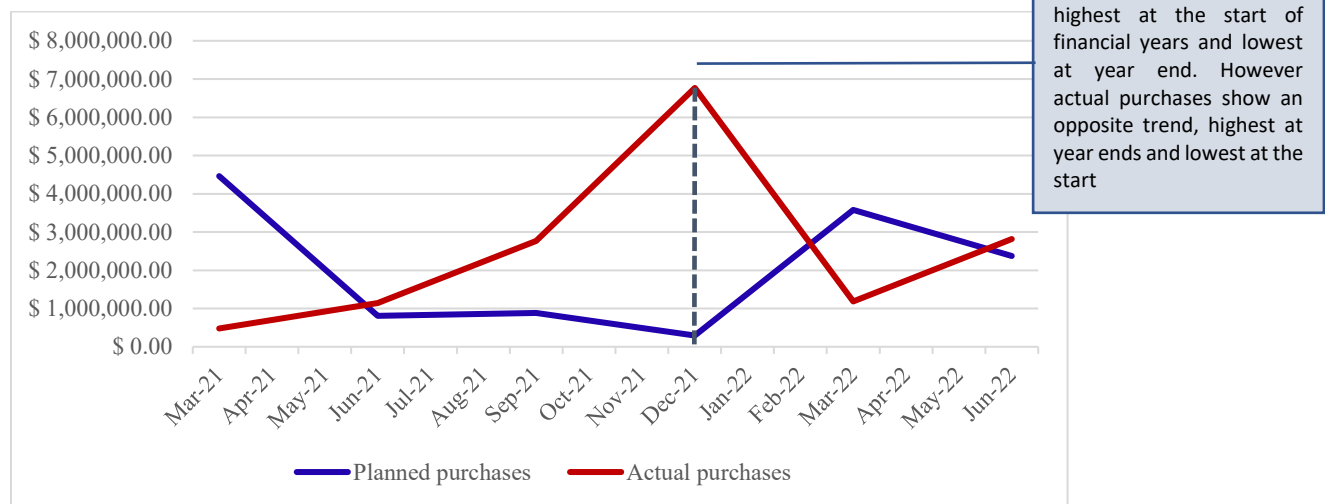


Figure 2: Comparison of planned versus actual acquisitions by quarter



b) Procurement function needed to be enhanced

48. The Procurement Unit organogram comprises a CPO at P-3 level, two G-7 staff, one G-5 staff and a UNV. After a vacancy of 3½ years, the last CPO was recruited in August 2021 but left ESCWA in September 2022 and the post is currently vacant. In the absence of a CPO, one of the G-7 staff was Officer-in-Charge of the Unit, which raised issues over the exercise of delegated procurement authority as already discussed. The need for a strong procurement function is even more important because of recent service level agreements that ESCWA has with signed 20 agencies, funds and programmes⁶ to provide them, among others, procurement services. This will significantly add to the workload and complexity of procurement activities.

49. Other procurement-related observations included the following:

- A total of 161 purchase orders valued at \$3.9 million out of \$35.4 million were modified and approved by the same person contrary to the procurement manual’s requirement that the creator and approver of purchase orders should be segregated. The then CPO stated this happened due to staffing shortage when only two staff were available, but this was not reported as an administration exception to BTAD.
- The Procurement Unit did not submit three procurement cases to the Local Committee on Contracts (LCC) for review despite the amounts being above \$150,000. The CPO attributed two of the three cases to a misunderstanding of the guidelines on contract amendments as both contracts, prior to their amendments, had not-to-exceed (NTE) amounts below the threshold for LCC review. The third case was related to the purchase of fuel totaling \$614,000 from July 2021 to June 2022 from a sole sourced

⁶ These include United Nations Truce Supervision Organization, Office of the United Nations High Commissioner for Human Rights, Resident Coordinator Office, United Nations Mine Action Services, Office of the United Nations Special Coordinator for Lebanon, Office for the Coordination of Humanitarian Affairs, Office of Staff Legal Assistance, United Nations Environment Programme, United Nations Information Centres, United Nations Office on Drugs and Crime, United Nations Relief and Works Agency for Palestine Refugees, United Nations Industrial Development Organization, Model United Nations, United Nations Children's Fund, United Nations Educational, Scientific and Cultural Organization, United Nations Population Fund, United Nations Office for Project Services, UN Women, United Nations Development Programme and OIOS.

vendor outside the existing system contract, as exigency purchases. The CPO stated that the system contract supplier was unable to fulfil the fuel requirements due to fuel shortages but there was no documented correspondence from the vendor to that effect. Despite the exigency arrangement being used for a year, it was only referred to the LCC in July 2022 as an ex post facto case and reported as \$323,000 instead of \$614,000. The CPO attributed the difference to inadvertent omission of some purchase orders when reporting to LCC.

- Seven out of 15 submissions to the LCC by the Procurement Unit were either returned to the Unit for fine-tuning, provision of additional information or clarifications or were submitted late thereby denying the LCC adequate time to review the submissions.
- Some data fields in Umoja such as incoterms and contract identification numbers were not consistently populated. Such information assists in the analysis of data and as input for planning activities. Also, ESCWA did not attach in Umoja the three quotations used for evaluation of request for quotation bids. While in some cases, it provided a table to summarize the quotations received as an alternative, this was not consistently done. It is important to have such information to ensure a clear basis for the awards.
- Six awards for renovation works totaling \$3.7 million that should have been solicited as requests for proposals (RFPs) were issued as invitations to bid (ITBs), which in addition to transferring the design risks to ESCWA from the vendor, could result in inadequate or inappropriate market response. Generally, ITBs are used when requirements are simple and straightforward, can be expressed well quantitatively and qualitatively at the time of solicitation, and can be provided in a straightforward way.

c) Contracts management function was inadequate

50. ESCWA did not have a dedicated contracts management function. This function was supposed to be undertaken by contract managers in sections/clusters. However, there were no documented records to show that there were regular performance evaluation meetings and that KPIs were monitored and reported. ESCWA did not use the Contracts Performance Report Tool (CPRT)⁷ or the Instant Feedback System (IFS) as neither had been implemented.

(8) ESCWA should strengthen the acquisition planning, procurement and contracts management function by: (a) ensuring that all personnel involved in these processes undergo the procurement related courses as required; and (b) making use of available technology such as the Contracts Performance Report Tool and Instant Feedback System.

ESCWA accepted recommendation 8 and stated that the Procurement Unit would work on strengthening acquisition planning and contract management functions and ensure that all personnel involved in such processes complete the required procurement training. The Procurement Unit went live on IFS effective 1 October 2022 and ESCWA was awaiting the activation of CPRT, earmarked for implementation in January 2023.

(9) ESCWA should strengthen the capacity of the Procurement Unit, especially in light of additional responsibilities of being service provider to United Nations system entities.

⁷ The CPRT system is used to evaluate vendor performance by rating the timelines, quality and quantity of delivery over a given past period. On the other hand, the Instant Feedback System (IFS) interfaces with Umoja and CPRT to enable real-time performance monitoring of the receipt of all contracted goods and services to instantly capture feedback on the contractor's delivery performance.

ESCWA accepted recommendation 9 and stated that the CPO was expected to be join in February 2023. Additional capacity would be requested within the context of the 2024 budget submission. Recommendation 9 remains open pending receipt of evidence of actions taken to strengthen capacity of the Procurement Unit.

Need to improve the technical evaluations of bids

51. ESCWA established teams to evaluate bids received in response to ITBs and RFPs according to the predefined evaluation criteria to achieve the best value for money. While the secretariat ensured that supervisors and subordinates did not serve on the same technical evaluation committee, it did not take corresponding measures to ensure that representation in the evaluation committees was at a sufficiently senior level to ensure thorough analysis. Specifically, the following were noted:

- There was very little involvement of professional staff in the evaluation of bids. Out of 36 staff who participated in 12 technical evaluation committees, only 8 or 22 per cent were professional staff (highest at P-3 level), while 14 were general service staff (9 G-7, 3 G-6, 2 G-5), one FS-5 and the rest were either UNVs or individual contractors. This occurred, even though ESCWA had 70 staff (28 per cent) at P-4 level and above. The involvement of non-staff (UNVs, individual contractors and consultants) in 5 of the 12 technical evaluation committees was contrary to procurement guidelines that require only qualified United Nations staff members to serve as technical evaluation members. ESCWA noted the matter and indicated that actions had been taken to ensure it did not recur.
- Members of the technical evaluation committee did not sign declarations on conflict of interest prior to undertaking the evaluations as a safeguard and commitment to an unbiased and objective evaluation.
- Requests for clarifications and provision of missing information were not consistently applied. The Procurement Unit did not avail the opportunity to some bidders to provide potentially admissible missing information while in other bids, such information, such as missing curriculum vitae and business ownership details were allowed to be provided after submission of bids.
- Evaluations took an average of 19 days to be completed largely due to back and forth between the Procurement Unit and the technical evaluation committee against the target of 15 days set in source selection plans.

52. These weaknesses were exacerbated by insufficient guidance by the commercial evaluation teams. Further, none of the technical evaluation committee members had undertaken any of the seven procurement courses to sharpen the understanding of procurement processes and guidelines.

(10) ESCWA should strengthen technical evaluations of bidding documents by: (a) selecting an appropriate mix of personnel with the right skill set and experience to be members of the committees; (b) briefing and training members prior to them assuming such responsibilities; and (c) ensuring conflict of interest declarations are submitted for all evaluation committee members.

ESCWA accepted recommendation 10 and stated that it had initiated actions to address the recommendation, including development of SOPs.

Need to ensure LCC members undertake prerequisite and ongoing training

53. During the audit period, LCC reviewed and recommended 15 cases to the Director, RMSDD for approval and one for rejection, for a combined NTE amount of \$6.2 million. It performed substantive reviews of case submissions and on four occasions referred the submissions back to the Procurement Unit for additional information or clarity. The Committee also had a tracker to monitor that members did not serve for more than the maximum allowable tenure of six years stipulated in ST/AI/2011/8 (Review committees on contracts). However, 6 of the 21 members who served on the LCC between October 2015 and June 2022 were appointed before undertaking the prerequisite training. Out of the 10 members appointed to the current LCC on 4 April 2022, 3 had not undertaken either the basic or advanced LCC course but had instead undertaken a Headquarter Committee on Contracts (HCC) course as they stated there was no LCC training organized in the period. Despite undertaking the HCC course, these members needed to undertake the specific LCC courses to fully appreciate the particularities of cases that are submitted to LCCs (e.g., procurements by less experienced staff, limited competitive markets, vendors with limited capacities). There was also no evidence that LCC members had participated in ongoing training in procurement matters, although the procurement manual had undergone two revisions in the recent past and four of the LCC members obtained their basic or advanced certification five years ago or more.

54. Inability to participate in periodic procurement-related training could reduce the effectiveness of LCC and thereby deny ESCWA opportunities to make best value for money acquisitions.

(11) ESCWA should ensure members of the Local Committee on Contracts undertake prerequisite training before assuming responsibilities and periodically thereafter, to maintain their effectiveness.

ESCWA accepted recommendation 11 and stated that the LCC chairperson, members, alternates and secretaries had all been trained. In addition, ESCWA had created an internal shared folder giving access and visibility to selected staff to the composition of the LCC as well as the latest training tracker. ESCWA also amended its LCC nomination memorandum to ensure that no required considerations would be overlooked. Based on the actions taken by ESCWA, recommendation 11 has been closed as implemented.

Utilization of low value acquisitions could be improved

55. Entities can procure goods and services directly from vendors, up to a limit of \$10,000 without conducting a formal solicitation exercise (low value acquisitions or LVAs), provided specific criteria are met. These include that there is no existing contract and requirements are of a non-recurring nature.

56. Over the period January 2020 to June 2022, 383 LVA purchase orders were raised at a cost of \$984,000 across 234 suppliers and 165 product lines. There were no major skews towards particular suppliers or product lines. However, LVAs were used to purchase some recurring goods and services such as mobile phones for \$55,000, and renovations of gym, male and female locker rooms and other areas for \$36,300. ESCWA was generally compliant with the requirement to obtain three quotations, although 7 out of 50 cases did not have the minimum three quotations or sufficient justifications for the lack thereof. The approval process of LVAs in ESCWA was much longer because in addition to certification by certifying officers, LVAs had to be reviewed by the Finance Section to ascertain funds availability as opposed to that role being performed by certifying officers. Of the five regional commissions, ESCWA had the second longest time of LVA approvals of 58 days compared to 17 days by the leading regional commission. However, ESCWA indicated that the reviews were needed to ensure compliance with the internal control mechanism.

Need to issue written notification to unsuccessful bidders

57. Contrary to the requirement in the procurement manual, procurement officials in ESCWA have not been issuing letters of regret to unsuccessful bidders of formal solicitations. Two vendors have been winning contracts for cleaning services and operations and maintenance consecutively for over 15 years. Providing feedback to vendors enhances transparency and assists unsuccessful bidders to appreciate how to improve future offerings. This would also help to eliminate perceptions of preferred vendors, which could subsequently improve vendor response rates, which as of June 2022 was at an average of 34 per cent. ESCWA undertook to commence giving feedback. In addition, 10 out of the 15 bids reviewed were above \$200,000 for which the unsuccessful bidders were also entitled to a debrief within 10 days of receipt of regret letter.

(12) ESCWA should commence issuing written notifications to unsuccessful bidders of formal solicitations and advise those with bids above \$200,000 of their entitlement to a debrief within 10 days of receipt of the letter of regret.

ESCWA accepted recommendation 12 and stated that regret letters to unsuccessful bidders of formal tenders was overlooked in some cases due to staffing constraints in the Procurement Unit. Going forward, ESCWA would start issuing the written notifications.

D. Construction project management

No business case was prepared for the revamping and remodelling of the ESCWA building in Beirut

58. According to the minutes of an LCC meeting dated 18 December 2019, the project to revamp and remodel the ESCWA building in Beirut had been triggered by the need to apply flexible workplace strategies at the United Nations, as presented to the sixty-ninth session of the General Assembly (A/69/749). The goal of the project was to create a more modern and collaborative work environment for staff, based on an open space concept. The project was a pilot initiative, targeting floors 7 and 8 of the United Nations house, to be extended to other floors subsequently. Apart from this write-up, OIOS was not provided with a consolidated business case inclusive of the objectives, schedules and funding sources for the revamping and remodelling project that was completed over two years at a cost of \$3.7 million. There was also no comprehensive project management plan as required by the United Nations Secretariat construction project professional standards, to guide the implementation of a project and define the methods and procedures to be followed. ESCWA explained that the interior of the building had not been renovated since it was built almost 20 years, the ceilings were leaking, carpets were 20 years old and stained, and bathrooms were not in good shape.

59. The initial contract for the design, revamping and remodelling of the 7th and 8th floors was discussed by LCC on 18 December 2019. ESCWA decided to negotiate a sole sourced contract with Vendor A, the owners of the buildings who were already operating a maintenance contract. The decision was based on the assumption that recruiting any other vendor for the renovation could have legal implications. However, this assumption was not valid as contracts for the renovation of other floors were awarded to other vendors.

60. Upon submission of the case, the LCC noted that the Procurement Unit had not: (a) specified the requirements definition; (b) issued an expression of interest or indicated in a file note why the case did not warrant one; and (c) benchmarked or otherwise evaluated the offer. There was therefore no assurance that it represented best value for money. The LCC adjourned and in their next meeting on 20 December 2019, recommended the award of the contract to Vendor A after clarifications regarding sole sourcing, including submission of the requirements definition, for a total NTE amount of \$994,543 in accordance with Financial

Rule 105.16 (a) – direct contracting under sole source. This activity was financed by \$1 million from the 2019 regular budget, although it had not been included in the approved budget. The related purchase order was raised on 16 December 2019, two days before the recommendation by LCC on 20 December 2019, effectively making the award ex post facto.

61. While the renovation of the 8th floor was ongoing, a blast occurred in Beirut in August 2020, which damaged the façade of the building. A risk assessment by Vendor A’s subcontractor concluded that the façade needed to be repaired by replacing damaged glass panels and tiles of stone cladding to mitigate risk of injury. In addition, a blast vulnerability assessment by the Department of Safety and Security, Physical Security Unit on 26 October 2020 recommended that a new attachment system be replaced over the existing shatter resistance film, using, if possible, the same manufacturer for the film and attachment.

62. The report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2022 requested the Secretary-General in the next budget submission under Section 33, to provide more detailed and updated information on the status and costs of repairs of the ESCWA building, inclusive of amounts covered by or to be recovered from insurance following the explosion at the port of Beirut. This information was not included in the 2023 proposed programme budget submitted in August 2022. ESCWA has since created different projects in Umoja to capture the capital expenditures, separating between the costs related to renovation from those related to the blast, as required by the General Assembly. Vendor A in their letter dated 8 February 2021 committed to pass on to ESCWA any insurance indemnity received from the insurance company, to meet costs incurred by ESCWA in repairs, but nevertheless stated it was unlikely that any payment would be made considering the economic and financial condition in Lebanon. To date, there has not been any communication or commitment from Vendor A or the insurance company. ESCWA stated that this issue was being handled by the Risk Management Unit in DMSPC.

63. Five additional contracts for revamping the building were signed in 2021 and 2022 totalling \$2.6 million. The work packages were individually less than \$1 million and therefore did not require HCC review and involvement of the Procurement Division. ESCWA stated that the solicitations for the renovations were done in smaller packages due to budgetary constraints and to ensure that staff were accommodated in swing spaces, while one or two floors were being renovated. OIOS is of the opinion that the renovation project was one project affecting all the floors and as such should have been designed, evaluated and approved as a single project, with implementation phased based on the practicality. Below are the details of the renovations per floor.

Table 6: Summary of revamping and remodelling costs by floor

| <i>Floor No.</i> | <i>Date LCC approved</i> | <i>Estimated cost USD</i> | <i>Actual cost USD</i> | <i>Budgeted</i> | <i>Source of budget</i> |
|------------------|--------------------------|---------------------------|------------------------|-----------------|---|
| 7/8 | 20 Dec 19 | 1,000,000 | 987,567 | No | 2019 regular budget redeployments from activities not undertaken |
| 3/6 | 23 Dec 20 | 800,000 | 984,043 | No | \$491,000 in 2020 for 3 rd floor \$493,200 in 2021 for 6 th floor both from activities not undertaken and savings redeployed |
| 4 | 28 Sept 21 | 500,000 | 543,262 | No | Unbudgeted – funded by 10RCR |
| 2 | 7 Dec 21 | 500,000 | 427,289 | No | Funded by \$630,000 received from United Nations Headquarters |
| 1 | 14 Dec 21 | 500,000 | 634,420 | Yes | \$750,000 in 2022 regular budget for two floors |
| 5 | - | 100,000 | 153,068 | No | 2021 regular budget |
| Total | | 3,600,000 | 3,732,649 | | |

64. An amount of \$750,000 was allocated in the proposed programme budget for 2022 under Section 33, to revamp two floors including the air conditioning system, lighting, firefighting system, partitioning, false ceiling, networking and electricity outlets, and solar photovoltaic panels. An additional \$432,000 was proposed for improvements to accessibility of the building and conference rooms. For 2020 and 2021, the amounts for renovations were not budgeted. However, ESCWA redeployed \$1 million from its 2019 budget, \$491,000 from its 2020 budget and received additional funding of \$2,630,000 from the Controller for renovations and purchase of related information technology equipment.

Construction project management teams needed to be appropriately staffed, with terms of reference and oversight mechanisms

65. In accordance with guidelines for the management of construction projects issued by the Global Asset Management Policy Service (GAMPS) in DMSPC, a dedicated project management team with the right competencies should be established and funded using necessary project resources.

66. The project team for the remodelling of the ESCWA building in Beirut was led by a project coordinator supported by five team members. Two of the six team members, including the project coordinator were UNVs. The rest of the team were individual contractors on limited duration contracts. While the team leader and at least one designer consultant had civil engineering and architectural backgrounds, the use of non-staff on a project of such magnitude could expose the United Nations to decisions that are not made in the best interest of the Organization. ESCWA stated that the team had no decision-making power but made proposals that went through the whole procurement and evaluation process and the outcome submitted to ESCWA management to take the appropriate decision. However, there were no terms of reference for the project team apart from the job descriptions that were used to recruit them. Those job descriptions had indicated that the team would be reporting to the Facilities Management Section but in practice, the team reported directly to the then Director of Administrative Services Division (later renamed RMSDD following restructuring), given the importance and size of the project.

67. There were also no project management guidelines such as procedures for processing change order, which are necessary to ensure contract amendments and construction change orders do not present a risk to the project. OIOS noted that during the remodelling of the 7th and 8th floors there were several contract variation orders amounting to \$77,401 that were approved verbally or by email. For instance, on 24 July 2020, an email from a consulting firm confirmed approval of variation orders for \$51,795 and 12 additional change orders for \$31,954 for which the contractor had already received verbal instructions to proceed from the Director of Administrative Services Division. Of this amount \$21,646 was for renovating the lobby, which was not part of the approved contract.

68. In addition, the GAMPS guidelines indicate various General Assembly resolutions that articulate the need for guidance, interaction and coordination between GAMPS and duty stations engaged in construction and long-term renovation projects, regarding the division of responsibility and accountability among others. However, initially GAMPS did not play this role in relation to ESCWA construction and renovation projects totalling \$3.7 million that were approved internally by ESCWA management. This changed following the blast at the port of Beirut, which resulted in severe damages to the ESCWA building. ESCWA management sought the support of GAMPS and the Procurement Division at Headquarters for urgent expert assistance in assessing the damages and options for the repair and strengthening of façade/blast protection system. ESCWA with the assistance of GAMPS engaged contractors for the provision of a forensic engineering assessment to determine the extent of the damage and provide recommendation for repairs. Subsequently ESCWA undertook procurement actions and submitted a proposal for a contract award to the Headquarters Committee on Contracts, which was recommended for approval in October 2022 for a ‘not to exceed’ amount of \$2.2 million, pursuant to Financial Rule 105.15 (b) – qualified, most responsive proposal. **ESCWA needed to continue liaising with GAMPS on its**

construction project activities to ensure central supervision of project activities, including risk management and alignment with lessons learned.

69. In view of the continuation of construction activities at ESCWA, the secretariat needed to develop terms of reference for its construction project management team and ensure they are guided by documented project management guidelines.

(13) ESCWA should develop: (a) terms of reference for the construction project management team that include clear reporting structures and responsibilities for project oversight and risk management; and (b) construction project management guidelines that include procedures to manage various aspects of construction projects.

ESCWA accepted recommendation 13 and stated that terms of reference for project team members had been developed and would be consolidated in a coherent terms of reference document for the whole project.

IV. ACKNOWLEDGEMENT

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

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the financial and administrative management in the Economic and Social Commission for Western Asia

| Rec. no. | Recommendation | Critical ⁸ / Important ⁹ | C/ O ¹⁰ | Actions needed to close recommendation | Implementation date ¹¹ |
|----------|--|---|-----------------------|---|-----------------------------------|
| 1 | ESCWA should initiate an independent evaluation of its reform programme as well as digital portals and processes that were launched in support of the new operating model, with a view to informing management about both areas of excellence and areas that require strengthening to support the delivery of its mandate. | Important | O | Receipt of a satisfactory action plan for conducting an evaluation of the reforms. | 31 October 2024 |
| 2 | ESCWA should: (a) establish a robust mechanism for capturing and reporting exceptions to administrative instructions in a timely manner; and (b) develop an action plan to improve performance in the areas of the delegation of authority monitoring framework that are below the desirable thresholds. | Important | O | Receipt of standard operating procedures for capturing and reporting exceptions to administrative instructions and an action plan for improving performance in the areas of the delegation of authority monitoring framework that are below the desirable thresholds. | 30 June 2023 |
| 3 | ESCWA should take action to regularize the execution of the delegated procurement authority, including by obtaining clearance from the Under-Secretary-General for Operational Support to conduct procurement without the minimum staffing requirements and capturing procurement thresholds for all procurement staff in Umoja, in accordance with their delegation of authority. | Important | O | Action is complete. | Implemented |
| 4 | ESCWA should review the operations and composition of the Joint Advisory Council to enhance its effectiveness by ensuring that: (a) it holds its meetings regularly and includes representation from the People Management Central Section; (b) action points are monitored and their implementation | Important | O | Receipt of evidence that JAC meetings are held regularly and include representation of PMC; action points are recorded and monitored; and that the Chairperson is chosen from a list proposed by the local Staff Council. | 31 January 2023 |

⁸ 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.

⁹ 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.

¹⁰ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

¹¹ Date provided by ESCWA in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the financial and administrative management in the Economic and Social Commission for Western Asia

| Rec. no. | Recommendation | Critical ⁸ / Important ⁹ | C/ O ¹⁰ | Actions needed to close recommendation | Implementation date ¹¹ |
|----------|--|---|-----------------------|---|-----------------------------------|
| | reported in subsequent meetings; and (c) the Chairperson is chosen by the Executive Secretary from a list proposed by the local staff council. | | | | |
| 5 | ESCWA should conduct strategic and operational workforce planning and develop and implement a human resources strategy that includes recruitment and training plans, to ensure that the staff complement is aligned with and supports the secretariat's priorities with appropriate and relevant skill set that are critical for mandate delivery. | Important | O | Receipt of workforce plans and human resources strategy, and evidence of their implementation. | 31 December 2023 |
| 6 | ESCWA should establish measures to ensure that resources for staff posts are used as approved in programme budgets and that general temporary assistance replacement positions and personnel action type modification of post incumbency are only used as outlined in guidelines. | Important | O | Receipt of evidence of completion of recruitment activities to align within the approved vacancy rates, submission for approval of the GTA positions in the 2024 budget and measures put in place to ensure misuse for modifications of post incumbency does not recur. | 31 January 2023 |
| 7 | ESCWA should: (a) review its recruitment practices for United Nations Volunteers to ensure they are conducted on a competitive basis; and (b) ensure the performance of Volunteers is evaluated periodically and the results used as inputs during contract renewals. | Important | O | Receipt of evidence of competitive recruitment of UNVs and use of performance evaluations as an input in the renewal of employment contracts. | 31 March 2023 |
| 8 | ESCWA should strengthen the acquisition planning, procurement and contracts management function by: (a) ensuring that all personnel involved in these processes undergo the procurement related courses as required; and (b) making use of available technology such as the Contracts Performance Report Tool and Instant Feedback System. | Important | O | Receipt of evidence of strengthening of acquisition planning, contracts management and training of all personnel involved in the acquisition activities and implementation of IFS and CPRT. | 31 December 2023 |
| 9 | ESCWA should strengthen the capacity of the Procurement Unit, especially in light of additional responsibilities of being service provider to United Nations system entities. | Important | O | Receipt of evidence of actions taken to strengthen capacity of the Procurement Unit. | 31 December 2023 |

STATUS OF AUDIT RECOMMENDATIONS

Audit of the financial and administrative management in the Economic and Social Commission for Western Asia

| Rec. no. | Recommendation | Critical ⁸ / Important ⁹ | C/ O ¹⁰ | Actions needed to close recommendation | Implementation date ¹¹ |
|----------|--|---|-----------------------|--|-----------------------------------|
| 10 | ESCWA should strengthen technical evaluations of bidding documents by: (a) selecting an appropriate mix of personnel with the right skill set and experience to be members of the committees; (b) briefing and training members prior to them assuming such responsibilities; and (c) ensuring conflict of interest declarations are submitted for all evaluation committee members. | Important | O | Receipt of the SOPs incorporating measures to strengthen technical evaluations of bidding documents. | 30 June 2023 |
| 11 | ESCWA should ensure members of the Local Committee on Contracts undertake prerequisite training before assuming responsibilities and periodically thereafter, to maintain their effectiveness. | Important | C | Action is complete. | Implemented |
| 12 | ESCWA should commence issuing written notifications to unsuccessful bidders of formal solicitations and advise those with bids above \$200,000 of their entitlement to a debrief within 10 days of receipt of the letter of regret. | Important | O | Receipt of evidence that ESCWA has started issuing letters of regret to unsuccessful bidders of formal solicitations and advising those with bids above \$200,000 of their entitlement to a debrief. | 31 March 2023 |
| 13 | ESCWA should develop: (a) terms of reference for the construction project management team that include clear reporting structures and responsibilities for project oversight and risk management; and (b) construction project management guidelines that include procedures to manage various aspects of construction projects. | Important | O | Receipt of the consolidated project document with coherent terms of reference and construction project management guidelines. | 31 March 2024 |

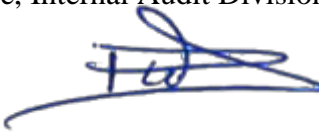
APPENDIX I

Management Response

Unclassified Confidential Strictly Confidential

Date: 19 December 2022

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

From: Rola Dashti
Executive Secretary, ESCWA 

Subject: **Draft Audit Report of an internal Audit Work Plan for 2022 at the United Nations Economic and Social Commission for Western Asia (OISO-2022-00739)**

1. I refer to your memorandum on the above subject, reference No. OIOS-2022-00739 dated 19 May 2022. Please find attached, ESCWA's response to the recommendations contained in the subject draft report.
2. In following the usual procedure, copies of any supporting documents will be provided to yourselves as required.

cc: Mr. Obin Silungwe, Chief, Field Audit Section, Internal Audit Division, OIOS
Ms. Maya Fridman, Professional Practices Section, Internal Audit Division, OIOS



Management response

Audit of the financial and administrative management in the Economic and Social Commission for Western Asia

| Rec. no. | Recommendation | Critical ^{7F1} / Important ^{8F2} | Accepted? (Yes/No) | Title of responsible individual | Implementation date | Client comments |
|----------|--|---|-----------------------|---|-------------------------|---|
| 1 | ESCWA should initiate an independent evaluation of its reform programme as well as digital portals and processes that were launched in support of the new operating model, with a view to informing management about both areas of excellence and areas that require strengthening to support the delivery of its mandate. | Important | Yes | Chief of Section Programme Management (SPARK) | October 2024 | The reform was interrupted by the economic crisis, the pandemic and Beirut port blast in 2020. All these distracted ESCWA's attention and efforts to find new ways of doing business under the consecutive crises. New tools were introduced to hold meetings and conferences remotely. The new ways of working, coupled with the new tools, helped ESCWA maintain its quick responsiveness and address the evolving priorities of the region. As for any reform, evaluation is always needed to identify areas of resilience, vulnerability and potential means of change and improvement. Yet, the results of the reform still need time to materialize for staff to fully embrace, to look at the new mode of work from a certain distance, and for the feedback to be built on a solid ground of information and facts as opposed to strictly reactive positions to change. |
| 2 | ESCWA should: (a) establish a robust mechanism for capturing and reporting exceptions to administrative instructions in a timely manner; (b) enhance access to | Important | Yes | Office of the Director and Chiefs of Sections | A. June 2023 B. Done | A. SOP is under processing with due date June 2023. |

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.

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| | management dashboards by relevant section chiefs to review quarterly reports; and (c) develop an action plan to improve performance in the areas of the delegation of authority monitoring framework that are below the desirable thresholds. | | | under the supervision of the Officer of the Director. | C. December 2023 | B. Done. Access to the management dashboard was given to all required staff and proof of the training conducted was shared with the auditors. C. The action plan is in progress. |
| 3 | ESCWA should take action to regularize the execution of the delegated procurement authority, including by obtaining clearance from the Under-Secretary-General for Operational Support to conduct procurement without the minimum staffing requirements and capturing procurement thresholds for all procurement staff in Umoja, in accordance with their delegation of authority. | Important | Yes | Office of the Executive Secretary | December 2022 | ESCWA obtained an exception from the Under-Secretary-General for Operational Support to conduct procurement without the minimum staffing for a period of 6 months, while the recruitment of the CPO is being finalized. Thresholds for all procurement staff are already captured in Umoja, in accordance with their delegation of authority. The thresholds are neither controlled nor visible to ESCWA. ESCWA has since requested BTAD to provide evidence that the procurement delegated authority limits were reflected in Umoja. |
| 4 | ESCWA should review the operations and composition of the Joint Advisory Council to enhance its effectiveness by ensuring that: (a) it holds its meetings regularly and includes representation from the People Management Central Section; (b) action points are monitored and their implementation reported in | Important | Yes | Office of the Executive Secretary | January 2023 | Action initiated. ESCWA concurs with the auditors' recommendation. Based on the JAC guidelines, OES will coordinate with the Staff Council and PMC to address this matter soon. |

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| | subsequent meetings; and (c) the Chairperson is chosen by the Executive Secretary from a list proposed by the local staff council. | | | | | |
| 5 | ESCWA should conduct strategic and operational workforce planning and develop and implement a human resources strategy that includes recruitment and training plans, to ensure that the staff complement is aligned with and supports the secretariat's priorities with appropriate and relevant skill sets that are critical for mandate delivery. | Important | Yes | PMC and Office of the Director | December 2023 | HR will develop a strategy to map the available resources against the evolving demand, identify the resource gap and propose creative and sustainable solutions, including training packages, workforce planning and reprofiling exercises in collaboration with OHRM. |
| 6 | ESCWA should establish measures to ensure that resources for staff posts are used as approved in programme budgets and that general temporary assistance replacement positions and personnel action type modification of post incumbency are only used as outlined in guidelines. | Important | Yes | PMC and Office of the Director | January 2023 | Actions taken. The attached staffing table on 7 November 2022 reflects 209 vacant positions as per the first tab of annex I, out of which 102 are not valid and are subject to expiry by HR. Regarding the remaining 107 GTA occupied positions, there are: (a) 27 positions for the Regular Programme of Technical Cooperation approved by the GA as per annex III supplementary document page 5-6; (b) 36 extrabudgetary positions approved by the GA as per annex IV fascicle page 68; (c) 15 positions for the Regular Programme reported in the context of the ACABQ and the supplementary preparation as per annex V and V(a) reported to PPBD. These positions are reported as performing core |

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| | | | | | | <p>functions; (d) 1 position approved for the RCO; and (e) 3 positions approved for the DA. The remaining 26 positions are related to XB and will be reported in the context of the next budget formulation exercise.</p> <p>Pursuant to the exit meeting held on 23 September 2022, ESCWA took immediate action to address the recommendations on the management of the staffing table ensuring compliance with financial rules and regulations. All MPIs effected by ESCWA for administrative purposes and funds insufficiency had been reversed as per Annex II- ESCWA action plan - documenting the correct positions numbers under column N of 2022 tab and R of 2021 tab).</p> <p>A request form has been put in place to document MPI when needed and justified by substantive reasons.</p> |
| 7 | ESCWA should: (a) review its recruitment practices for United Nations Volunteers to ensure they are conducted on a competitive basis; and (b) ensure the performance of Volunteers is evaluated periodically and the results are used as inputs during contract renewals. | Important | Yes | Chief PMC | March 2023 | Action initiated. ESCWA will coordinate with UNDP. |

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| 8 | ESCWA should strengthen the acquisition planning, procurement and contracts management function by: (a) ensuring that all personnel involved in these processes undergo the procurement related courses as required; and (b) making use of available technology such as the Contracts Performance Report Tool and Instant Feedback System. | Important | Yes | Chief Procurement Officer | December 2023 | Action initiated. A. Procurement team will work on strengthening acquisition planning and contract management and will ensure that all personnel involved in such processes complete the required procurement training. B. The deployment of the new tools is not within the scope of ESCWA. It is centrally managed by HQ. Procurement Unit went live on the Instant Feedback System effective from 1 October 2022 and is awaiting UNHQ/UNGSC to activate the Contract Performance Report expected as of January 2023. |
| 9 | ESCWA should strengthen the capacity of the Procurement Unit, especially in light of additional responsibilities of being service provider to United Nations system entities. | Important | Yes | Budget and Finance Officer | December 2023 | CPO is expected to join in February 2023. Additional capacity will be requested within the context of the 2024 budget submission. |
| 10 | ESCWA should strengthen technical evaluations of bidding documents by: (a) selecting an appropriate mix of personnel with the right skill set and experience to be members of the committees; (b) briefing and training members prior to them assuming such responsibilities; and (c) ensuring conflict of interest | Important | Yes | Chief Procurement Officer | June 2023 | Action initiated. SOP will be developed. |

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| | declarations are submitted for all evaluation committee members. | | | | | |
| 11 | ESCWA should ensure members of the Local Committee on Contracts undertake prerequisite training before assuming responsibilities, and periodically thereafter, to maintain their effectiveness. | Important | Yes | Office of the Executive Secretary and the Chair of LCC | December 2022 | <p>Done. The LCC Chair, the alternate Chair, all members/alternate members and secretaries are already trained. One secretary is not allowed to attend the training before she handles a couple of cases under the supervision of a trained secretary. Training for her is already scheduled for December. We are therefore compliant.</p> <p>In addition, ESCWA created an internal shared folder giving access and visibility to selected staff to the composition of the LCC as well as the latest training tracker. ESCWA also amended its LCC nomination memorandum to ensure that all required considerations are not overlooked. The revised nomination memorandum was shared with the auditors.</p> |
| 12 | ESCWA should commence issuing written notifications to unsuccessful bidders of formal solicitations and advise those with bids above \$200,000 of their entitlement to a debrief within 10 days of receipt of the letter of regret. | Important | Yes | Chief Procurement Officer | March 2023 | Procurement team had always issued regret letters to unsuccessful bidders in its formal tenders. However, this was overlooked in some cases, which were exceptions and not the standard practice. ESCWA Procurement will ensure written notification is issued to all unsuccessful bidders. |

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| 13 | ESCWA should develop: (a) terms of reference for the construction project management team that include clear reporting structures and responsibilities for project oversight and risk management; and (b) construction project management guidelines that include procedures to manage various aspects of construction projects. | Important | Yes | Chief Facility Management Section | March 2024 | Action initiated. The terms of reference for the team members are available. They will be consolidated in a coherent terms of reference document for the whole project. |