



## INTERNAL AUDIT DIVISION

### REPORT 2016/144

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Audit of governance framework for major construction projects in peace operations

While the governance framework provided an adequate structure for the implementation of major construction projects, some responsibilities needed to be clarified and required oversight bodies to be established

5 December 2016  
Assignment No. AP2016/615 /02

# **Audit of governance framework for major construction projects in peace operations**

## **EXECUTIVE SUMMARY**

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the governance framework for major construction projects in peace operations. The audit covered the period from 1 July 2013 to 31 May 2016, and reviewed assignment of roles and responsibilities for various aspects of major construction projects; implementation of oversight and monitoring mechanisms; and incorporation of other construction project management considerations such as environmental and security.

While the governance framework provided an adequate structure for the implementation of major construction projects, some responsibilities needed to be clarified and required project oversight bodies established.

The Office of Internal Oversight Services made two recommendations. To address issues identified in the audit:

- The Departments of Peacekeeping Operations and Field Support needed to clarify in the Guidelines on Governance of Major Construction Projects in Field Missions that compliance with the host country regulations included obtaining required licenses, clearances and/or permits; and
- The Department of Field Support needed to put measures in place to enforce accountability for the non-establishment of project management groups.

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# **Audit of governance framework for major construction projects in peace operations**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of governance framework for major construction projects in peace operations.
2. Peace operations in the field undertake major construction projects to build required infrastructure to support the implementation of their mandates. These include developing camps, building or assembling offices, and constructing and maintaining runways, helicopter platforms, roads and waste management facilities. Approved major construction (mainly engineering) projects for the fiscal year 2015/16 totaled \$294 million, whereas proposed projects for 2016/17 are estimated at \$80 million. The Department of Peacekeeping Operations/Department of Field Support (DPKO/DFS) Guidelines for the Governance of Major Construction Projects in Field Missions (October 2014) establishes the governance framework for projects costing more than \$1 million, and outlines the division of responsibility and accountability for initiating, planning, executing, monitoring, controlling and closing major construction projects. In October 2015, supplemental guidance was issued to assist missions with the implementation of the Guidelines.
3. The Engineering Section of the Logistics Support Division (LSD), DFS in New York is responsible for: (a) strategically supporting the implementation of major construction projects globally; (b) reviewing the overall construction component of mission budget submissions; and (c) monitoring missions' compliance with the Guidelines. The Engineering Standards and Design Centre (ESDC), within Logistics Services, United Nations Global Service Centre (UNGSC) based in Brindisi is responsible for: (a) reviewing engineering budget submissions during the budget preparation process; (b) providing technical clearance for all cases for local procurement action; (c) developing and supporting a global construction portfolio as a governance mechanism; and (d) providing inputs to design and planning at missions' request. The Guidelines and the supplemental guidance further detail roles and responsibilities of the Under-Secretary-General and Assistant Secretary-General of DFS, and the Head of Mission, Director/Chief of Mission Support and the Chief Engineer of field missions as these roles were previously not fully defined.
4. For the fiscal year 2014/15, the Engineering Section had an expenditure of \$1.3 million for funding eight authorized posts (seven professional and one general service). For the same time period, ESDC had an expenditure of \$2.1 million for funding 16 authorized posts (8 professional and 8 general service) including costs for travel and training
5. Comments provided by DFS are incorporated in italics.

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

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over the governance framework for major construction projects in peace operations.
7. This audit was included in the 2016 risk-based work plan of OIOS due to the strategic and operational risks relating to the governance of major construction projects.

8. OIOS conducted this audit from June to August 2016. The audit covered the period from 1 July 2013 to 31 May 2016. Based on an activity-level risk assessment, the audit covered higher and medium risk areas in the governance of major construction projects in field missions which included: the assignment of roles and responsibilities for various aspects of major construction projects; implementation of oversight and monitoring mechanisms; and other construction project management considerations.

9. The audit methodology included: (a) interviews of key personnel, (b) reviews of relevant documentation, (c) analytical reviews of data, (d) reviews of results of relevant audits conducted in field missions.

### **III. OVERALL CONCLUSION**

10. While the governance framework provided an adequate structure for the implementation of major construction projects, some responsibilities needed to be clarified and required project oversight bodies to be established.

### **IV. AUDIT RESULTS**

#### **A. Assignment of roles and responsibilities**

Roles and responsibilities were generally assigned but clarification was needed in respect of ensuring compliance with host government regulations

11. The DPKO/DFS Guidelines on the governance of major construction projects and the Supplemental Guidance assigned responsibility and accountability for initiating, planning, executing, monitoring, controlling and closing of major construction projects.

12. OIOS review noted that the Engineering Section in LSD developed the strategic direction, operational policy and guidance for the implementation of major construction projects (hereinafter called DPKO/DFS Guidelines and Supplemental Guidance). They also performed strategic reviews of major construction projects as well as related budgets.

13. ESDC reviewed engineering budget submissions of 13 out of 16 peacekeeping missions for the fiscal year 2015/16, and 6 out of 11 special political missions for the biennium 2015-2016. In addition, the Centre reviewed and provided technical clearance for cases where local procurement action was requested by missions and also provided design and planning inputs to major construction projects.

14. The Guidelines and Supplemental Guidance also detailed the roles and responsibilities, amongst others, of the project beneficiary, field mission Chief Engineer, dedicated project manager, project management group (PMG) and Director/Chief of Mission Support (D/CMS), as well as defined responsibility for authorizing mission resources to be applied to project activities.

15. However, the Guidelines did not clarify responsibility for ensuring compliance with host government regulations such as obtaining licenses, clearances and/or permits for major construction projects, especially for projects executed in-house. This was necessary because prior to the issuance of the Guidelines, an audit of a field mission had identified an instance where the mission constructed an airfield costing \$7.5 million without obtaining the prior approval of the relevant government authorities. This prevented the airfield from being brought into use. In another case, a mission did not obtain required

permits from the host country authorities for the construction of six buildings and did not also obtain required occupation permit for a completed powerhouse.

16. The lack of clearly defined responsibility for complying with host government regulations may impede the successful implementation of major construction projects, and may also result in a monetary and/or reputational loss to the Organization.

**(1) DPKO and DFS should clarify in the Guidelines on Governance of Major Construction Projects in Field Missions that compliance with the host country regulations includes obtaining required licenses, clearances and/or permits.**

*DFS accepted recommendation 1 and stated that the DPKO/DFS Guidelines had already addressed the issue. Taking into account the relevant provisions of the Guidelines, DFS would remind missions by issuing a formal facsimile to ensure compliance. Recommendation 1 remains open pending receipt of a copy of the facsimile reminding missions to ensure compliance with the relevant provisions of the Guidelines.*

## **B. Oversight and monitoring mechanisms**

### Establishment of PMGs needed to be enforced

17. The DPKO/DFS Guidelines assigned responsibility for establishing mission PMGs to D/CMS. PMGs are to be drawn from mission resources and be responsible for authorizing and monitoring all major construction projects in field missions, with a view to achieving a consistent approach to project approval and monitoring.

18. A review of the PMG tracking list obtained from the DFS Engineering Section noted that as at June 2016, only 6 out of 16 peacekeeping missions and 1 out of 11 special political missions had established PMGs. The value of proposed construction projects from the remaining field missions that had not established PMGs is \$77 million for the fiscal year 2016/17.

19. The DFS Engineering Section explained that it had exempted certain special political missions from reporting on the establishment of PMGs since they did not have any planned major construction projects. However, there was no explanation of why the other missions had not established PMGs although the Director, LSD had on 5 January 2015, requested all field missions to establish PMGs for either ongoing or upcoming projects over \$1 million, by 2 March 2015. In October 2015, the Assistant-Secretary-General, DFS also sent a memorandum to all field missions requiring them to establish PMGs no later than 6 November 2015.

20. In the absence of PMGs, a consistent approach to project approval and monitoring may not be achieved, resulting in failure to address project variances affecting cost, scope, time and unintended consequences.

**(2) DFS should put measures in place to enforce accountability for the non-establishment of project management groups, including escalating noncompliance to the attention of the Under-Secretary-General for Field Support.**

*DFS accepted recommendation 2 and stated that it had been addressed from a regulatory framework perspective in the DPKO/DFS Guidelines. DFS would remind all missions, via formal communication, to ensure compliance with the establishment of PMGs. Recommendation 2 remains*

open pending receipt of a copy of the formal communication issued to missions and evidence of action taken to enforce the establishment of PMGs.

#### DFS global construction project management reporting mechanism was enhanced

21. The DPKO/DFS Supplementary Guidance requires ESDC and the Engineering Section at DFS Headquarters to establish a global construction portfolio platform that will consist of a summary level report showing basic project details including schedule and expenditure status.

22. Discussions with DFS staff and review of documentation indicated that UNGSC had developed a web-based platform (the Construction Project Management Information System), currently in pilot phase that would allow field missions to upload periodic project updates. The tool includes information specific to each project including: original project planned start date; actual start date; original planned completion date; current forecasted completion date; original forecasted cost; and current forecasted cost.

23. OIOS noted that the tool displays project variances in the form of pie charts. There were two of them: one representing variance for time and cost for a single field mission project, and another representing variance for time and cost for all major construction projects underway in a particular field mission.

24. This display of information was not sufficient to obtain an accurate picture of the progress of projects. Showing variances for time and cost as a single variable, as either a number or percentage could mean that a project ahead of schedule but over budget could yield a favorable result. Similarly, representing variance for time and cost as a single variable for all projects underway in a field mission, where for instance, half the projects were ahead of schedule and below cost, and the other half were behind schedule and above costs, could potentially show that overall, all projects are on schedule and budget. This would not allow for appropriate remedial action to be taken.

25. After the audit fieldwork, UNGSC updated the tool to display project variances for time and cost separately, thus making the actual project status more readable and representative. Therefore, OIOS did not make a recommendation on this issue.

### **C. Other construction project management considerations**

#### Environmental and security considerations and lessons learned were addressed in the Guidelines

26. Better project management methodology requires that effective planning take into consideration all variables, including environmental and security, to help predict the results of projects in terms of scope, quality, risk, timescale, cost and benefit. Also, positive lessons from a project should be embedded in organizational project management to avoid repeated negative experiences in future projects.

27. Various OIOS and Board of Auditors' reports identified inadequate inclusion of environmental considerations during the planning phases of major construction projects as a cause of weaknesses identified in field missions' environmental (including waste) management. Also, some missions did not take adequate account of weather considerations and the security situation in planning timelines for their construction projects. For example, in the United Nations Interim Security Force for Abyei, the implementation of projects was adversely affected by weather and security conditions thereby delaying their finalization.

28. The Board of Auditors had recommended that missions strengthen their procedures for the planning and implementation of construction contracts to factor in all foreseeable environmental and security factors that may hinder the execution of the work.

29. To address this, the new Guidelines and Supplemental Guidance require that upon authorization of a project, the field mission Chief Engineer is to nominate a project manager and present each project to the PMG for endorsement and approval. As part of the project planning process, the dedicated project manager under the guidance of the Chief Engineer would be responsible for developing a project management plan, including a work breakdown structure and cost estimate for each of the project's work packages. The project manager would also develop a schedule of the entire project taking into account available and envisioned enabling capacities, procurement related lead times, seasonal, environmental, intensified operational and political and security considerations within the mission. The PMG was responsible for endorsing the project management plan and authorizing the project manager to apply field mission resources to project activities.

30. OIOS review also noted that the Guidelines requires project managers, as part of the project close-out process, to prepare a project completion report incorporating the documentation on any lessons learned and best practices identified that could be applicable in other missions and future projects. This included lessons and practices on mitigation of risks and harm to local communities.

31. OIOS concluded that the Guidelines had built in adequate consideration of environmental and security factors in the project planning process and lessons learned in the reporting process for major construction projects. Since the guidance has not been fully implemented, its success would be dependent on adherence to these requirements.

## **V. ACKNOWLEDGEMENT**

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

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



## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the governance framework for major construction projects in peace operations

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	DPKO and DFS should clarify in the Guidelines on Governance of Major Construction Projects in Field Missions that compliance with the host country regulations includes obtaining required licenses, clearances and/or permits.	Important	O	Submission of a copy of the facsimile reminding missions to ensure compliance with the relevant provisions of the Guidelines.	30 June 2017
2	DFS should put measures in place to enforce accountability for the non-establishment of Project Management Groups, including escalating noncompliance to the attention of the Under-Secretary-General, DFS.	Important	O	Submission of a copy of the formal communication issued to missions and evidence of action taken to enforce the establishment of PMGs.	30 June 2017

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

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

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

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

# **APPENDIX I**

## **Management Response**

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Routine

TO: Ms. Muriette Lawrence-Hume, Chief, New York Audit  
A: Services, Internal Audit Division, OIOS

DATE: DEC 01 2016

THROUGH:  
S/C DE:

REFERENCE: UNHQ-AR-BOI-Memo-2-  
2016-9115

FROM: Lisa Buttenheim, Assistant Secretary-General  
DE: for Field Support



SUBJECT: **Draft report on an audit of the governance framework for major  
OBJET: construction projects in peace operations (Assignment No.  
AP201661502)**

1. I refer to your memorandum, dated 16 November 2016, regarding the above-mentioned audit. We note that OIOS has substantially taken into account our comments provided earlier. Nevertheless, the Department is providing additional comments on the recommendations contained in the draft report as Appendix I.

2. Thank you for the opportunity to comment on the draft report. We stand ready to provide any further information that may be required.

cc: Ms. Cynthia Avena-Castillo

## Management Response

## Audit of the governance framework for major construction projects in peace operations

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	DPKO and DFS should clarify in the Guidelines on Governance of Major Construction Projects in Field Missions that compliance with the host country regulations includes obtaining required licenses, clearances and/or permits.	Important	Yes	Director LSD	Second quarter of 2017	DFS accepts the recommendation but wishes to reiterate that the Guidelines on Governance of Major Construction Projects in Field Missions has already addressed the issue in the following paragraphs: 31.4: Take into account international and host country specific regulatory constraints when preparing major construction project design; and 31.9: Initiate design development efforts for major construction projects after obtaining host country agreements for the use of government property/land when necessary, or leasehold, after ensuring the lease agreement allows for the development as planned. Taking into account that the provisions are already there, DFS will remind the missions by issuing a formal facsimile to ensure compliance.

<sup>5</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>6</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Audit of the governance framework for major construction projects in peace operations

Rec. no.	Recommendation	Critical <sup>5</sup> / Important <sup>6</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	DFS should put measures in place to enforce accountability for the non-establishment of Project Management Groups, including escalating noncompliance to the attention of the Under-Secretary-General, DFS.	Important	Yes	Director LSD	Second quarter of 2017	The recommendation raised has been addressed from a regulatory framework perspective, under paragraphs 7 and 11 of the Guidelines on Governance of Major Construction Projects in Field Missions. DFS will remind all missions, via formal communication, to ensure compliance with the establishment of the Project Management Groups.