



INTERNAL AUDIT DIVISION

REPORT 2014/007

Audit of the post-construction phase of the new office facility at the United Nations Office at Nairobi

Overall results relating to the post-construction phase of the new office facility were partially satisfactory. Implementation of three important recommendations remains in progress.

**FINAL OVERALL RATING: PARTIALLY
SATISFACTORY**

25 March 2014

Assignment No. AA2013/211/01

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AUDIT REPORT

Audit of the post-construction phase of the new office facility at the United Nations Office at Nairobi

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the post-construction phase of the new office facility at the United Nations Office at Nairobi (UNON).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The construction of the additional office facility at UNON was undertaken pursuant to General Assembly resolution 44/211 that called upon all United Nations systems to make necessary arrangements for establishing common premises at the country level. Through resolution 63/263, the General Assembly approved a budget estimate of \$25.3 million, under the regular budget, for the construction of the new office facility. The United Nations Environment Programme (UNEP) provided \$1.4 million extra-budgetary resources for the design, supply, installation and maintenance of a solar photo-voltaic (P-V) system (solar p-v system) at the new office facility, which is connected to, and supplements the electrical reticulation system of UNON.
4. The construction of the additional office facility brought with it an increased demand for parking space within the UNON complex. To cater for this need, UNON, through its budget for alterations and major maintenance provided an additional funding of approximately \$2.2 million for the construction of a multi-storey car park building (car park).
5. The construction of the new office facility at UNON began on 4 May 2009 and was substantially completed in December 2010. UNEP and the United Nations Human Settlements Programme (UN-Habitat) moved into the new office facility between January and April 2011. The official inauguration of the new office facility took place on 31 March 2011 and was presided over by the Secretary-General of the United Nations and the President of the Republic of Kenya.
6. Comments provided by UNON are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNON governance, risk management and control processes in providing reasonable assurance regarding the **efficient and effective management of the post-construction phase of the new office facility at UNON**.
8. By General Assembly resolution 63/263, OIOS was mandated with the responsibility of “ensuring continuing effective audit coverage as well as regular, thorough management reviews” of the construction of the new office facility and to report the results in its annual reports to the General Assembly. To this end, OIOS conducted two audits of the construction of the additional office facility at UNON as follows: (i) audit of the construction of additional office facilities and improvements to

conference facilities at UNON in 2009; and (ii) audit of the construction of additional office facilities at UNON in 2011.

9. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as controls that provide reasonable assurance that a system of regulations and the means to enforce them are in place. The regulatory framework includes the Financial Regulations and Rules, the Procurement Manual, administrative issuances, guidelines, and contracts for construction of the new office facility, car park and installation of the solar p-v system.

10. The key control was assessed for the control objectives shown in Table 1.

11. OIOS conducted this audit from 25 September 2013 to 20 November 2013. The audit covered the post-construction activities of the contract for the construction of the new office facility, the contract for the construction of the car park, and the post-installation activities of the contract for the supply and installation of the solar p-v system. Construction of the solar p-v system and car park took place during the period August 2010 to March 2011 and September 2010 to July 2011 respectively. The audit examined the processes followed in the administrative and financial handover and closure of the projects, and included a review of the final account.

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

III. AUDIT RESULTS

13. UNON governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding the **efficient and effective management of the post-construction phase of the new office facility at UNON**. OIOS made six recommendations in the report to address issues identified in the audit.

14. The construction of the new office facility was substantially completed on time and within budget. UNON prepared and maintained a detailed and comprehensive register of lessons learned and good practices that could be replicated in similar projects within UNON and across the Organization. UNON established adequate and appropriate processes for the administrative and financial hand-over and closure of the project. However, controls in relation to the construction of the car park and the administration of the post-installation activities of the solar p-v system required strengthening. There was also a need to: undertake vendor performance evaluations to assess fulfillment of contractual obligations; strengthen project management processes, including oversight over the rectification of construction defects to facilitate timely closure of projects; and monitor compliance with the terms and conditions of the contract for maintenance, training of staff and guarantees for the solar p-v system.

15. The initial overall rating was based on the assessment of the key control presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Efficient and effective management of the post-construction phase of the new office facility at UNON	Regulatory framework	Partially Satisfactory	Satisfactory	Satisfactory	Partially Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

A.I. Contracts for construction of the new office facility and car park

The new office facility was completed on time and within budget

16. The construction of the new office facility at UNON began on 4 May 2009 with a construction budget of \$25.3 million and a planned substantial completion date of 3 December 2010. The construction was substantially completed on schedule and at a cost of \$23.2 million, which was \$2.1 million below the approved budget. The savings in costs were attributed, amongst others, to the devaluation of the Kenyan shilling during the construction phase of the project.

17. OIOS examined a sample of 20 disbursements, for a total of \$3.7 million, effected through the project account and noted that the expenditures were generally incurred in accordance with the agreed project implementation guidelines, were incurred for the purpose and benefit of the project, were duly certified and approved by the project manager/consultant, and were appropriately authorized by the designated UNON staff.

18. The certificate of substantial completion was issued on 31 December 2010. This paved the way for the occupation of the building and subsequently, UNEP and UN-Habitat moved into the new office facility between January and April 2011.

Rectification of construction defects pertaining to the car park took long

19. The contract for the construction of the car park provided for a one-year defects liability period during which the contractor was required to rectify, at its own cost and risk, any faults or defects identified in the car park. At the time of substantial completion and hand over of the car park on 4 July 2011, UNON identified and submitted to the contractor a detailed listing of defects for which corrective work was required. The car park was consequently handed over to UNON with the understanding that the contractor would rectify the defects during the one year defects liability period.

20. The defects largely related to cracking of sections of the car park (primarily on the top floor slabs and certain parts of the retaining/block walls), that were noticed shortly before and after substantial completion in July 2011, as well as settlement/subsidence of the upper and lower level external sections

of the car park. Despite the numerous interventions and substantial rectification actions taken by the contractor throughout the defects liability period and beyond, most of the defects continued to exist about two and a half years after the car park was officially handed over to UNON and commissioned for use. Some of the defects, especially those relating to cracking, continued to recur in various sections of the car park and even deteriorated during the defects liability period and beyond.

21. Based on a structural review performed by the project consultants, the probable cause of the defects/cracking was thought to be the “rich mix”¹ used in the construction of the building and/or dry shrinkage caused by external seasonal temperature variations and long term drying of the concrete. In the opinion of the consultants, however, the defects were assessed to be superficial (non-structural) and were deemed not to impair the structural integrity of the car park.

22. UNON management indicated that a potential solution to rectify the defects had been identified. The car park was therefore closed from 19 November 2013 for corrective actions before the expected closure of the project and issuance of certificate of final completion. In view of the measures taken by UNON to address this issue, no recommendation was made.

Processes for administrative and financial handover and closure of the project were adequate

23. UNON processes for the administrative and financial closure of the contract for the new office facility were generally in compliance with the conditions of the contract. Specifically, OIOS noted the following:

(a) UNON maintained a snagging list throughout the contract that was used for identifying and communicating defects to the contractor. Regular communication and status update meetings were held involving UNON, the project architect/consultants and contractor to monitor progress and agree on corrective actions required. The Project Manager reviewed and certified the work of the contractor including rectification of identified defects. Moreover, 25 per cent of the contractor’s retention money was withheld pending rectification and certification of all identified defects by the Project Manager.

(b) Appropriate tests and inspections were performed and relevant UNON staff were trained as part of the hand over process to ensure satisfactory performance of the building and installations thereon. Training sessions covered general electrical installations; building management system; automatic fire detection; plumbing, drainage and firefighting installations; window cleaning systems; air conditioning and mechanical ventilation; and management of the waste-water treatment plant.

(c) The contractor handed over to UNON relevant project documents, including as-built drawings, and operational and maintenance manuals. Project documents handed over included: uninterrupted power supply installation and user manuals, Schindler passenger elevator documentation manuals, heating, ventilation and air conditioning manuals, generator operational and maintenance manuals, building management system, fire alarm and medium and low voltage distribution systems, sewerage treatment system operations and handover manuals.

24. UNON did not maintain an inventory of all project documents received from the contractor and in its custody. Therefore, it was difficult to establish the completeness of project documents, which may result in the inability to identify missing documents and could limit staff access to essential reference materials.

¹ A rich mix is one with a lot of cement used in construction.

(1) The Director-General of UNON should ensure that an inventory of project documents obtained from the project contractor and sub-contractors is compiled to ensure completeness and proper custody of reference documents.

UNON accepted recommendation 1 and submitted the New Office Facility Project Documentation Inventory, which references both as-built drawings and operations and maintenance manuals received as part of the new office facility project. UNON stated that documents are filed both on the Facilities Management and Transportation Section (FMTS) shared drive and as working documents in box files in FMTS offices. The inventory will also be worked into the overall FMTS construction/graphical electronic information database (dating from 1975 to present) being compiled as part of the ongoing strategic capital review at UNON. Based on the action taken by UNON, recommendation 1 has been closed.

Comprehensive lessons learned register was maintained for the new office facility but not for the car park

25. Consistent with a previous recommendation from OIOS, UNON developed and maintained a record of lessons learned from the construction of the new office facility. The lessons learned register highlighted opportunities for improvement and good practices which could be replicated in similar projects within UNON and across the Organization. The final copy of the lessons learned register was submitted to the Under-Secretary-General for Management on 30 June 2011 for record and circulation purposes.

26. However, the document only captured the lessons learned from the construction of the new office facility. It did not include any lessons learned from the construction of the car park. Given the differences in the scope of work between the construction of the new office facility and the car park, and the unique construction and project management challenges faced in the car park project, management needed to identify lessons learned from the car park project that could be used to improve the management of similar projects within the Organization.

(2) The Director-General of UNON should ensure that the lessons learned register is updated with opportunities for improvement and lessons learned from the construction of the car park.

UNON accepted recommendation 2 and submitted an updated lessons learned document. Based on the action taken by UNON, recommendation 2 has been closed.

No liens were placed on the United Nations property by the contractor

27. Section 3.7 of the construction contract between UNON and the contractor required the contractor to ensure that no liens were imposed on UNON properties by either the contractor or any of the project sub-contractors. Based on interviews with UNON management and review of project records, OIOS established that there were no liens placed on UNON assets by the contractor and/or sub-contractors involved in the project. Further, the contractor provided written confirmation to UNON that submission of the final invoice constituted the final claim of payment with respect to the construction contract, and that no further payments would be claimed.

The new office facility was insured but insurance was required for car park and solar p-v system

28. The new office facility was insured at an estimated value of \$30 million and the insurance cover was up to date during the audit.

29. There was no documentation, however, to indicate that appropriate insurance cover was taken for the solar p-v system installed in the new office facility. The estimate provided for the insurance of the new office facility did not make any reference to the solar p-v system, which was built under a different contract and with funding from UNEP. There was no evidence to confirm that separate insurance cover was taken for the solar p-v system, or that it was included in the overall insured value of the UNON asset portfolio. Without clear information on the insurance of solar panels, including the extent to which they have been insured, it may be difficult for UNON to support its claims for compensation in the event of loss or damage to the equipment.

30. Similarly, there was no evidence to indicate that the car park was insured after it was handed over to UNON and made available for use. OIOS was informed that the UNON practice had been to insure its property on a group basis without necessarily itemizing the individual assets insured. Further, the value of insured property had risen steadily over the years, mainly because of the UNON practice of not insuring assets at depreciated value, a practice that was considered to partly compensate for any omissions or failure to insure any newly acquired assets. The practice of group insurance of property exposed UNON to the risk of under insuring its assets because the absence of an itemized listing of insured assets would make it difficult for UNON to determine whether insurance cover was taken for all assets and/or property that ought to be insured.

31. UNON explained that as part of its preparedness to comply with the International Public Sector Accounting Standards, it was assessing and reviewing its property portfolio, including all its buildings and installations, with a view to determining their fair market value. The exercise was anticipated to be completed by December 2013, and it is expected to provide UNON management with detailed and up-to date information on the fair market value of UNON assets/property portfolio, which will amongst others be used for insurance purposes.

(3) The Director-General of UNON should review insurance arrangements in place for the car park and solar photo-voltaic system to ensure that the assets are adequately insured.

UNON accepted recommendation 3 and stated that the referred assets are now fully insured. Copies of certificates of insurance of the referred assets were provided to OIOS for reference. Based on the action taken by UNON, recommendation 3 has been closed.

Contractor performance evaluations were not conducted as required

32. The construction of the car park was considered as phase II of the construction of the new office facility. Through an amendment to the original contract for the construction of the new office facility, UNON awarded the contracts for project management and construction of the car park to a project consultant and contractor, respectively, who had already been engaged for the new office facility. The budget for the construction of the new car park was \$2.5 million.

33. Section 15.2.3 of the Procurement Manual stipulates that the Procurement Section needs to ensure that a vendor performance evaluation report with a satisfactory result is on file before processing any amendment or extension to an existing contract. However, there was no performance evaluation on record when the contracts were amended to include the construction of the car park.

34. Further, Sections 15.1 and 15.2 of the Procurement Manual require that a vendor performance evaluation be performed, as part of ongoing monitoring of vendors, to assess the performance of vendors in fulfilling their contractual obligations. In addition, Chapter 7.11.1.a of the Manual states that "Proper maintenance of the Register of Vendors requires the receipt of regular reporting on vendor performance.

Requisitioners and/or end-users are responsible for the timely evaluation of vendor performance in the appropriate vendor performance evaluation report”. The Manual further provides, in Annex D-6A, a sample performance evaluation report to be used by requisitioners and/or end-users for this purpose.

35. There was no formal evaluation performed of the project architects/consultants and contractor involved in the construction of the new office facility and in the subsequent contract for construction of the car park. This was despite the new office facility project having been formally closed with the certificate of final completion issued and final payments made to the contractor. By not conducting a formal performance evaluation as prescribed in the Procurement Manual, UNON may miss the opportunity for recording useful feedback that could inform future contract award decisions. Whilst acknowledging that the contract for construction of the car park was still ongoing and expected to be formally completed by end of December 2013, OIOS is of the view that management needs to perform a formal vendor performance evaluation at the end of the contract to assess performance of the contractors in fulfilling contractual obligations which should form a basis for future contract award decisions in compliance with the United Nations contracts management and administrative practices as stipulated in the Procurement Manual.

(4) The Director-General of UNON should ensure that formal performance evaluation is conducted of the project architects/consultants and the contractor engaged for the construction of the new office facility and car park, as required by the Procurement Manual.

UNON accepted recommendation 4, stating that it does accept that it is best practice to conduct performance evaluations in such cases. UNON also stated that considering that the contract in question expired in December 2010, hence there is no benefit to revisiting it now. Going forward though UNON will ensure that performance evaluations are conducted in line with recognized best practice and the OIOS recommendation. OIOS would like to emphasize that the need to conduct performance evaluations is not just “best practice” but a mandatory requirement stipulated in the Procurement Manual. The audit had showed that UNON failed to ensure that a performance evaluation with a satisfactory result was on file, as required by the Procurement Manual, before amending the contracts to include the construction of the car park. Recommendation 4 remains open pending receipt of documentation showing that UNON has established a mechanism to ensure that contractor performance evaluations are performed in accordance with the requirements of the Procurement Manual.

A. II. Contract for the purchase, installation and maintenance of the solar photo-voltaic system

Contract management needed to be strengthened

36. In 2009, the Executive Director of UNEP and the Director-General of UNON issued an expression of interest for the acquisition of solar panels to power the new office facility. UNEP provided \$1.4 million from extra-budgetary resources for the purchase and installation of the solar p-v system. The contract for the supply of the solar p-v system was awarded to a vendor on the premise that the vendor provided: the most complete offer with the lowest and most effective installation costs; offered the best warranties on components; and provided appropriate after sale service and maintenance package (which included regular service and maintenance visits).

37. The vendor did not fully abide by the agreed post-installation terms and conditions of the contract. UNON followed up with the vendor several times to ensure that the vendor complied with the agreed

terms, though these efforts were not entirely successful. As at the time of the audit in November 2013, UNON had withheld \$88,000 of the vendor's payments, pending satisfactory performance of the contract, including resolution of outstanding issues. The weaknesses noted in contract administration are detailed in the paragraphs below.

(i) The vendor did not provide effective servicing and maintenance as required by the contract

38. The contract required the vendor to provide regular servicing and maintenance of the solar p-v system for a period of five years after initial installation and commissioning. The servicing was to be provided every three months in the first year of commissioning, and every six months for the subsequent four years. OIOS noted the following shortcomings in the maintenance agreement and delivery of maintenance services by the contractor:

(a) The maintenance agreement was stated in broad and general terms without specifying the nature and type of maintenance service that the vendor was required to provide during each visit. This made it difficult for UNON to effectively monitor and track vendor performance and ensure that UNON received all the maintenance services that it was entitled to under the contract.

(b) The vendor did not abide by the prescribed maintenance schedule and was not always available to respond to UNON requests for maintenance. Consequently, there were instances where equipment malfunctions went unattended for long periods of time. For example, the solar display log board which was supposed to show the amount of solar energy generated and/or saved by the system had not been functioning since April 2013. This impaired the ability of UNEP to effectively showcase its investment in the solar p-v system and may undermine stakeholder perceptions of success or value of the project.

(c) The vendor did not provide detailed reports of service performed during each maintenance visit. Maintenance/service records help to manage and track repair and maintenance activities, and could be useful in monitoring whether the system was performing in line with the manufacturer's warranties. The absence of proper maintenance records not only impaired management's ability to monitor the system's performance but could also jeopardize the ability of UNON to support its case in the event of defects related disputes with the contractor.

(5) The Director-General of UNON should require the vendor to comply with the terms and conditions of contract by clearing the backlog and reporting on all maintenance performed to date, and preparing and submitting a schedule for ongoing maintenance.

UNON accepted recommendation 5 and stated that it shall endeavor to implement it. UNON however indicated that implementation will depend on third parties to do their part. Recommendation 5 remains open pending confirmation of the contractor's clearance of the backlog and submission of schedule of ongoing maintenance.

(ii) Vendor did not provide the required training to staff

39. Section 3.2.9 of the contract required the vendor to provide several training sessions for UNON staff during the five-year period. The training was to be provided through four sessions of technical training each lasting two days during the first year of the contract and a further two sessions of one day training per year for the subsequent four years. There were no records to indicate that the vendor had provided such training. During a meeting between the vendor and UNON on 7 November 2013, the vendor acknowledged responsibility for the non-delivery of the required training and committed to

remedy the situation and catch up on the training backlog by the third week of November 2013. Failure by the vendor to provide the required training could compromise the ability of UNON to develop its staff and institutional capacity to manage and operate the system once the current service agreement with the vendor expires.

(iii) The vendor did not provide the minimum guarantee required by the contract

40. Section 3.2.12 of the contract required the vendor to provide, in writing, a minimum five year guarantee for all components and the entire photo-voltaic system. This was in addition to the 5-year maintenance period separately provided for in the contract. Contrary to the contractual agreement, the vendor did not provide any written guarantee. Guarantees support vendor assurances that equipment will operate and/or function as intended, which could help protect UNON against loss or damage to the system. The absence of written guarantees could prevent UNON from enforcing contractual provisions and make it difficult to seek legal redress should the vendor fail to honour its contractual obligations.

Vendor did not provide project deliverables including system design drawings and maintenance manuals

41. Section 3.2.17 of the contract required the vendor to provide UNON with complete end-of project documentation, including detailed final installation and construction drawings, technical brochures, operational and maintenance manuals, and maintenance schedules of the solar p-v system. As at the time of audit in November 2013, almost 3 years after the installation of the system, the vendor was yet to fulfill this requirement of the contract. Specifically, the final as-built layout drawings had not been provided, while some of the operational and maintenance manuals were only presented in the German language, rendering them unusable by the Facilities Management and Transportation Section staff.

42. Project documents such as system design drawings provide a valuable reference base from which future system changes and/or additions could be designed. Maintenance manuals provide useful guidelines for operating and maintaining the system and could be used to supplement staff training requirements. The absence of these key deliverables could impair UNON's ability to maintain the solar p-v system to the required operational and functional levels after the service agreement period expires.

(6) The Director-General of UNON should require the vendor of the solar photo-voltaic system to comply with the terms and conditions of contract by clearing the backlog of training required for staff, providing the required guarantee, and submitting required end of project documentation, including as built drawings and operation and maintenance manuals.

UNON accepted recommendation 6 and stated that it shall endeavor to implement it. UNON however indicated that implementation will depend on third parties to do their part. Recommendation 6 remains open pending confirmation that the contractor has fulfilled the contractual obligations.

IV. ACKNOWLEDGEMENT

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

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of the post-construction phase of the new office facility at the United Nations Office at Nairobi

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The Director-General of UNON should ensure that an inventory of project documents obtained from the project contractor and sub-contractors is compiled to ensure completeness and proper custody of reference documents.	Important	C	Action completed	Implemented
2	The Director-General of UNON should ensure that the lessons learned register is updated with opportunities for improvement and lessons learned from the construction of the car park.	Important	C	Action completed	Implemented
3	The Director-General of UNON should review insurance arrangements in place for the car park and solar photo-voltaic system to ensure that the assets are adequately insured.	Important	C	Action completed	Implemented
4	The Director-General of UNON should ensure that formal performance evaluation is conducted of the project architects/consultants and the contractor engaged for the construction of the new office facility and car park, as required by the Procurement Manual.	Important	O	Submission to OIOS of documentation showing that UNON has established a mechanism to ensure that contractor performance evaluations are performed in accordance with the requirements of the Procurement Manual.	
5	The Director-General of UNON should require the vendor to comply with the terms and conditions of contract by clearing the backlog and reporting on all maintenance performed to date, and preparing and submitting a schedule for ongoing maintenance.	Important	O	Submission to OIOS of confirmation of the contractor's clearance of servicing and maintenance backlog and schedule of ongoing maintenance.	31 December 2014
6	The Director-General of UNON should require the vendor of the solar photo-voltaic system to comply	Important	O	Submission to OIOS of confirmation that the contractor has cleared backlog of training	31 December 2014

² Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

³ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by UNON in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the post-construction phase of the new office facility at the United Nations Office at Nairobi

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
	with the terms and conditions of contract by clearing the backlog of training required for staff, providing the required guarantee, and submitting required end of project documentation, including as built drawings and operation and maintenance manuals.			required for staff and the submission of required end of project documentation, including as built drawings and operation and maintenance manuals.	

APPENDIX I

Management Response

United Nations  Nations Unies

INTEROFFICE MEMORANDUM MÉMORANDUM INTÉRIEUR
UNITED NATIONS OFFICE AT NAIROBI

TO: Mr Gurpur N. Kumar, Deputy Director,
A: Internal Audit Division, OIOS

DATE: 10 March, 2014

FROM: Chris Kirkcaldy, Director a.i.,
DE: Division of Administrative Services

SUBJECT: **OIOS IAD Assignment no. AA2013/211/01 - Audit**
OBJET: **of the post-construction phase of the new**
office facility at UNON - draft report response

With reference to your memorandum requesting our comments on the draft report on subject audit, please find attached completed appendix 1 and referenced documentation. Additional information, in relation to recommendation three has been provided to IAD Nairobi Section.

In view of the information and documentation provided we anticipate the closure of recommendations one, two and three.

May we take this opportunity to express our gratitude for the professional and collaborative manner in which the audit was conducted.

CC: Ms Sahle-Work Zewde
Ms Anna Halasan
Ms Agness Chilinda

MANAGEMENT RESPONSE

Audit of the post-construction phase of the new office facility at the United Nations Office at Nairobi

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Director-General of UNON should ensure that an inventory of project documents obtained from the project contractor and sub-contractors is compiled to ensure completeness and proper custody of reference documents.	Important	Yes		Implemented	Attached is the NOF Project Documentation Inventory, which references both as built drawings and operations and maintenance manuals received as part of the NOF project. All documentation was made available for review during the audit exercise. Documents are filed both on the FMTS shared drive, soft copy and as working documents in box files in FMTS offices. This inventory will also be worked into the overall FMTS construction/ graphical electronic information database (dating from 1975 to present) being compiled as part of the ongoing strategic capital review at UNON.
2	The Director-General of UNON should ensure that the lessons learned register is updated with opportunities for improvement and lessons learned from the construction of the car park.	Important	Yes		Implemented	An updated lessons learned document, including referred aspects, has been provided but is attached again for ease of reference.
3	The Director-General of UNON should review the insurance arrangements in place for the car park and solar photo-	Important	Yes		Implemented	The referred assets are now fully insured, the details of which have been provided to IAD Nairobi Office,

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

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

MANAGEMENT RESPONSE

Audit of the post-construction phase of the new office facility at the United Nations Office at Nairobi

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	voltaic system to ensure that the assets are adequately insured.					copies of certificates attached.
4	The Director-General of UNON should ensure that formal performance evaluation is conducted of the project architects/ consultants and the contractor for the construction of the new office facility and car park, as required by the Procurement Manual.	Important	Yes		Implemented	UNON did not previously accept the recommendation. However, in light of the recommendation UNON have reviewed the matter and consulted with the procurement community. As such UNON does now accept that it is best practice to conduct performance evaluations in such cases. As previously mentioned the contract in question expired in Dec 2010, hence there is no benefit to revisiting it now. Going forward though UNON will ensure that performance evaluations are conducted in line with recognized best practice and the OIOS recommendation.
5	The Director-General of UNON should require the vendor to comply with the terms and conditions of contract by clearing the backlog and reporting on all maintenance performed to date, and preparing and submitting a schedule for ongoing maintenance.	Important	Yes	CFMTS	31 Dec 2014	In the context of the report UNON's accepts the assertions made for recs 5 and 6 are correct and shall endeavor to implement. OIOS must be mindful though that UNON will depend on third parties to do their part. Hence the extended implementation period.
6	The Director-General of UNON should require the vendor of the solar photo-voltaic system to comply with the terms and conditions of contract by clearing the backlog of training required for staff, providing the required guarantee, and submitting required end-of-project	Important	Yes	CFMTS	31 Dec 2014	As 5 above.

MANAGEMENT RESPONSE

Audit of the post-construction phase of the new office facility at the United Nations Office at Nairobi

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	documentation, including as built drawings and operation and maintenance manuals.					