



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/048

Audit of construction of facilities and infrastructure in support of the African Union Mission in Somalia

Overall results relating to the effective management of construction of facilities and infrastructure in support of AMISOM were partially satisfactory. Implementation of five important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

29 May 2013

Assignment No. AP2012/638/01

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Audit of construction of facilities and infrastructure in support of the African Union Mission in Somalia

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of construction of facilities and infrastructure by the United Nations Support Office (UNSOA) in support of the African Union Mission in Somalia (AMISOM).
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. On 12 July 2009, the United Nations and the African Union (AU) signed a Memorandum of Understanding (MoU) for the provision of support to AMISOM, which includes a provision for UNSOA to assist with the construction of AMISOM camps and other facilities. On 20 December 2011, UNSOA signed a Support Implementation Agreement (SIA) with the AU describing the support to be provided by the UNSOA Engineering Section. At the time of the audit, UNSOA had entered into 20 construction contracts with a Not-To-Exceed (NTE) amount of \$62.6 million. Each contract was comprised of several projects. For the period from 1 January 2010 to 30 June 2012, there were approximately 270 projects valued at \$49.5 million either completed, in progress, or at the planning stage.
4. The UNSOA Engineering Section was headed by a Chief Engineer at the P-5 level who was supported by 25 staff, two consultants and one individual contractor based in Nairobi, Mombasa and Mogadishu. UNSOA coordinated construction activities in support of AMISOM with the AMISOM Force Engineer.
5. Comments provided by UNSOA are incorporated in italics.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNSOA governance, risk management and control processes in providing reasonable assurance regarding the **effective management of construction of facilities and infrastructure in support of AMISOM**.
7. The audit was included in the 2012 OIOS risk-based work plan due to the criticality of ensuring that adequate control measures were in place for construction of facilities and infrastructure, as well as the high monetary value of the projects and the quality of the control environment.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:
 - (a) **Project management** - controls that provide reasonable assurance that there is sufficient project management capacity to support the construction of AMISOM facilities and infrastructure.
 - (b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the construction of facilities and infrastructure in support of

AMISOM; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted this audit from April to November 2012. The audit covered the period from 1 July 2010 to 30 June 2012. Site visits were made to Mogadishu, Somalia. A sample of six construction contracts was selected with a NTE amount of \$45.5 million.

11. OIOS 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 tests to determine their effectiveness.

III. AUDIT RESULTS

12. The UNSOA governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **effective management of construction of facilities and infrastructure by UNSOA in support of AMISOM**.

13. UNSOA had implemented some construction projects, including living accommodations for AMISOM personnel and water wells, which were completed in a timely manner. However, considerable construction work was still necessary because of AMISOM's increased requirements due to its expansion. To be more effective in implementing projects, UNSOA needed to: (a) improve project planning; (b) increase the expertise of the Engineering and Contracts Management Sections to monitor and report on the work of contractors; and (c) further develop its standard operating procedures (SOPs) to guide staff. Expiry dates of contracts were not tracked, and contractors did not always provide the required performance bonds. Further consideration was needed to ensure environmental concerns were systematically built into the construction programme.

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

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of construction of facilities and infrastructure by UNSOA in support of AMISOM	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Project management

Planning for African Union Mission in Somalia construction requirements needed improvement

15. Security Council resolution 2036, increasing the troop strength of AMISOM to 17,731, had a major impact on the UNSOA construction programme. Therefore, there was a need to expand the construction programme for 2013/14. UNSOA had active discussions with AMISOM on their requirements; however, AMISOM had not yet provided UNSOA with its final construction requirements, limiting the ability of UNSOA to adequately plan its support for AMISOM. The situation underscored the need for UNSOA to intensify its collaboration with AMISOM in this regard.

(1) UNSOA should further collaborate with AMISOM to ensure that the AMISOM construction requirements are finalized on a timely basis to facilitate the development and implementation of a comprehensive plan for construction projects in the Somalia sectors.

UNSOA accepted recommendation 1 and stated that it had been focusing on the development of three sector hubs and this programme had been discussed with AMISOM leadership. A retreat took place between UNSOA and AMISOM in April 2013 to review current operational works and identify potential future requirements. Based on the action taken by UNSOA, recommendation 1 has been closed.

Capacity of the Office to monitor construction contracts needed to be strengthened

16. While some construction activities had been completed and were finished in a timely manner, including accommodations for AMISOM personnel and water wells in Mogadishu, there were frequent delays impacting on the effectiveness of the construction programme.

17. At the time of the audit, the Engineering Section was responsible for monitoring 54 construction projects, valued at \$28 million; but did not possess all the required expertise to perform effective construction monitoring functions. Also, staff members from the Contracts Management Section did not effectively monitor construction projects as they did not have the required technical skills to determine contract percentage completion for contract billings, and other issues requiring technical expertise. Moreover, the Contracts Management Section, which was based in Nairobi, conducted only a few visits to Mogadishu.

18. Procuring goods and services and delivering them to Somalia was often a lengthy process due to the unique environment. At the time of the audit, 15 out of 20 construction contracts had been extended by four to 25 months, with an average extension period of 12 months. Delays were mainly due to: (a) security; and (b) failure of contractors to obtain the necessary government permits, which also impacted on the timely delivery of construction materials to sites. The Engineering Section also did not request extensions to contracts on a timely basis due to inadequate monitoring of expiry dates. Consequently, services were sometimes provided by contractors who did not have valid contracts.

19. Additionally, a review of a sample of the administration of six engineering contracts showed that: (a) none of the six contractors complied with the requirement to maintain comprehensive insurance; and (b) performance bonds for the required amount (10 per cent of the contract value) were either not requested or properly adjusted when NTE amounts changed.

(2) UNSOA should ensure that there is adequate expertise in the Engineering and Contracts Management Sections to adequately monitor the work of contractors.

UNSOA accepted recommendation 2 and stated that a procurement process had been initiated for a third-party service provider to oversee project implementation in regard of quality assurance, quantity surveying and continuous planning support that cannot be met in-house. Recommendation 2 remains open pending receipt of evidence that the third-party service provided has been procured and this service has improved the monitoring capacity of UNSOA.

(3) UNSOA should develop procedures to track contract expiry dates and to monitor compliance with contractual terms and conditions.

UNSOA accepted recommendation 3 and stated that it had developed a SOP for contract implementation, which provided guidance to staff on the sequence of actions and the tools for monitoring and complying with contractual terms and conditions. Based on the action taken by UNSOA, recommendation 3 has been closed.

Monitoring and reporting mechanism for construction projects needed improvement

20. There was no mechanism in place to systematically monitor and report on the progress of implementation of construction projects. Also, no criteria had been established to measure actual project implementation against planned completion dates and actual total cost of completion vs. planned costs. Such criteria would have enabled an assessment on whether projects were completed in a timely and cost-effective manner, and if not, what challenges were encountered that needed to be built into further project plans. Project monitoring reports were not prepared as UNSOA did not consider them as essential for the management of construction activities.

21. SIA No. 7 between UNSOA and the AU required that reports of relevant engineering key performance indicators (KPIs) be prepared on a monthly basis to monitor the effectiveness of construction activities. While UNSOA periodically prepared KPI reports on various operational areas on major construction contracts, these reports did not include engineering activities or KPIs for construction of facilities in support of AMISOM. UNSOA had not assigned sufficient priority to the preparation of these KPIs.

22. Additionally, the Engineering Section did not maintain minutes of its weekly meetings with the AMISOM Force Engineer. These meetings had been established to discuss significant project management issues that may have operational consequences for AMISOM. As a result there was no documentation of decisions reached and actions to be taken to address the issues raised in these meetings.

(4) UNSOA should strengthen the monitoring and reporting processes of construction projects, including the preparation of: (i) monthly key performance indicator reports as required by the Support Implementation Agreement 7; and (ii) management reports on individual engineering projects.

UNSOA accepted recommendation 4 and stated that each contract included KPIs, against which contractors are required to regularly report on in compliance with SIA 7. Also, KPI reports were reviewed and verified by UNSOA and form the basis of monthly performance review meetings, which would require the attendance of the AMISOM Force Engineer. The procurement of the third-party service provider would also enhance project monitoring. Recommendation 4 remains open pending the receipt of evidence that adequate KPI reports are prepared and periodic progress reporting on individual engineering projects is done.

(5) UNSOA should maintain and distribute minutes of meetings between the UNSOA engineering staff and the AMISOM Force Engineer to document decisions made and to ensure that agreed actions are taken.

UNSOA accepted recommendation 5 and stated that regular meetings were now being held between UNSOA engineering staff and the AMISOM Force Engineer to account for decisions and to follow-up on actions. Minutes of meetings would be distributed. Recommendation 5 remains open pending the receipt of evidence that minutes of meetings with AMISOM are prepared and shared with relevant personnel in UNSOA and AMISOM.

B. Regulatory framework

Standard operating procedures had not been developed

23. The Engineering Section had not developed sufficiently comprehensive SOPs to govern and manage construction activities, considering the unique operating environment of UNSOA. For example, there were no procedures on: (a) the preparation and management of task orders; (b) handover of completed projects to AMISOM; and (c) the quality assurance programme to ensure quality standards were met prior to handover. The absence of adequate guidance meant that there were insufficient controls over the implementation of construction projects; procedures for making progress payments to contractors were inconsistent; and quality standards could not be ensured.

(6) UNSOA should develop comprehensive standard operating procedures to govern and manage construction projects.

UNSOA accepted recommendation 6 and stated that SOPs had been developed; but there had been delays in implementing them due to the restructuring of the UNSOA Engineering Section. Recommendation 6 remains open pending receipt of a copy of the SOPs and confirmation that they are being implemented.

Environmental concerns needed to be systematically built into the construction programme

24. Prior to implementing construction projects, baseline environment assessments were required to ensure that UNSOA and its contractors were taking appropriate actions to mitigate environmental risks. However, these were not done, mainly as UNSOA did not have an environmental officer, and because of the security situation. Nonetheless, there were technical reports issued by the United Nations Environmental Programme (UNEP) in 2010, which made an assessment, and recommendations on energy, water, and waste reduction options for the AMISOM camp in Mogadishu. While UNSOA had taken these recommendations, in part, into account in the construction activities, there was no system to track them, and no mechanism to ensure that contractors were considering and addressing environmental issues, as required in the contractual agreements.

(7) UNSOA should implement procedures to ensure compliance with the DPKO/DFS Environmental Policy through monitoring the effects of construction activities on the environment and the local population.

UNSOA accepted recommendation 7 and stated that it was reviewing options for the engagement of personnel to conduct the tasks related to compliance with DPKO/DFS environmental provisions. Recommendation 7 remains open pending receipt of evidence that there is adequate environmental oversight over the UNSOA/AMISOM construction activities.

IV. ACKNOWLEDGEMENT

25. OIOS wishes to express its appreciation to the Management and staff of UNSOA 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 construction of facilities and infrastructure in support of the African Union Mission in Somalia

Recom. no.	Recommendation	Critical ¹ / important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UNSOA should further collaborate with AMISOM to ensure that the AMISOM construction requirements are finalized on a timely basis to facilitate the development and implementation of a comprehensive plan for construction projects in the Somalia sectors	Important	C	Action taken.	Implemented
2	UNSOA should ensure that there is adequate expertise in the Engineering and Contracts Management Sections to adequately monitor the work of contractors.	Important	O	Receipt of evidence that the third-party service provided has been procured and this service has improved the monitoring capacity of UNSOA.	31 December 2013
3	UNSOA should develop procedures to track contract expiry dates and to monitor compliance with contractual terms and conditions.	Important	C	Action taken.	Implemented
4	UNSOA should strengthen the monitoring and reporting processes of construction projects, including the preparation of: (i) monthly key performance indicator reports as required by the Support Implementation Agreement 7; and (ii) management reports on individual engineering projects.	Important	O	Receipt of evidence that adequate KPI reports are prepared as well as progress reporting on individual engineering projects	31 December 2013
5	UNSOA should maintain and distribute minutes of meetings between the UNSOA engineering staff and the AMISOM Force	Important	O	Receipt of evidence that minutes of meetings with the AMISOM are prepared and shared with relevant personnel in	15 May 2013

1 Critical recommendations address significant and/or pervasive deficiency or weakness 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.

3 C = closed, O = open

4 Date provided by UNSOA in response to recommendations.

Recom. no.	Recommendation	Critical¹/ important²	C/ O³	Actions needed to close recommendation	Implementation date⁴
	Engineering to document decisions made and to ensure that agreed actions are taken.			UNSOA and AMISOM.	
6	UNSOA should develop comprehensive standard operating procedures to govern and manage construction projects.	Important	O	Receipt of a copy of the SOPs and confirmation that they are being implemented.	15 May 2013
7	UNSOA should implement procedures to ensure compliance with the DPKO/DFS Environmental Policy through monitoring the effects of construction activities on the environment and the local population.	Important	O	Receipt of evidence that there is adequate environmental oversight over the UNSOA/AMISOM construction activities.	31 December 2013



United Nations Support Office for AMISOM (UNSOA)

Interoffice Memorandum

To: Ms. Eleanor T. Burns, Chief
Peacekeeping Audit Service
Internal Audit Division
OIOS

Date: 26 April 2013

From: Amadu Kamara, Director

Ref: UNSOA/0413/M.0035

Subject: **Assignment No. AP2012/638/01 – Audit of construction of facilities and Infrastructure in support of AMISOM**

1. Further, to your memorandum of 10 April 2013, please find attached the UNSOA response to the subject audit exercise.

Best regards

cc: Mr. Elijah Karambizi, Deputy Director/Chief Strategic Management Services, UNSOA
Mr. Michael Hanrahan, Head of Somalia Support, UNSOA
Ms. Cecilia McGill, Chief Administrative Services, UNSOA
Mr. Herbert Pechek, Chief Engineer, UNSOA
Ms. Anna Halasan, Professional Practices Section, Internal Audit Division, OIOS

AUDIT RECOMMENDATIONS

Audit of construction of facilities and infrastructure in support of AMISOM

Rec. no.	Recommendation	Critical/ ¹ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNSOA should further collaborate with AMISOM to ensure that the AMISOM construction requirements are finalized on a timely basis to facilitate the development and implementation of a comprehensive plan for construction projects in the Somalia sectors.	Important	Yes	Head of Somalia Support (HSS)	Completed	Management accepts the recommendation. The focus has been on the development of the three sector support hubs, Baidoa, Bellet Weyne and Kismayo, as reflected in the Result Based Budget Framework. This programme has been discussed with AMISOM leadership. A retreat between UNSOA Senior Management and AMISOM leadership took place on 18 April 2013 to review current operational works and identify potential future operational requirements. The report of the workshop will to be shared once finalized. Attachment: Drawing/Design Layout of three support hubs.
2	UNSOA should ensure that there is adequate expertise in the Engineering and Contracts Management Sections to adequately monitor the work of contractors.	Important	Yes	Chief Engineer	31 Dec 2013	Management concurs with the recommendation a procurement process has been initiated for the services of a third party service provider to oversee project implementation in regard to quality assurance, quantity surveying, and continuous planning support that cannot be met in-house. Attachment: <ul style="list-style-type: none"> • Copy of TPPS SOR • Cover Letter Technical Clearance Prior LPA – UNGSC-EDC-Fax-2013-347 • LPA Request to UNPD

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.

AUDIT RECOMMENDATIONS

Audit of construction of facilities and infrastructure in support of AMISOM

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	UNSOA should develop procedures to: (a) track contract expiry dates; and (b) monitor and ensure compliance with contractual terms and conditions.	Important	Yes	Chief Engineer	Completed	<p>Management agrees with the recommendation and has developed a Standard Operating Procedure (SOP) for Contract Implementation. The SOP provides Engineering staff with the sequence of actions and the tools for monitoring and ensuring compliance with contractual terms and conditions. Tools include a Task Order Summary Sheet, Contract Factsheet, etc. as detailed in the SOP.</p> <p>Attachment: <ul style="list-style-type: none"> • Copy of SOP, Contract Implementation. </p>
4	UNSOA should strengthen the monitoring and reporting processes of construction projects, including the preparation of: (i) monthly key performance indicator reports as required by the Support Implementation Agreement 7; and (ii) management reports on individual engineering projects.	Important	Yes	Chief Engineer, Chief Contracts Management Section	(i) On-going (ii) 31 May 2013 (iii) 31 Dec 2013	<p>(i) Each Engineering contract identifies a set of KPIs, against which UNSOA Contractors are required to regularly report on compliance as per SIA 7. KPI reports are reviewed and verified by UNSOA and form the basis of discussion at monthly Performance Review Meetings. The meetings are usually coordinated and documented by UNSOA Contracts Management Section (CMS).</p> <p>(ii) CMS will include AMISOM Force Engineer (FE) in the list of PRMs invitees and will share copies of PRMs minutes and KPI reports with AMISOM FE.</p> <p>(iii) A procurement process has been initiated for a third party service provider to oversee project implementation in regard to quality assurance, quantity surveying, and continuous planning support that cannot be met in-house.</p> <p>Attachments: <ul style="list-style-type: none"> • Copy of Performance Review Meeting </p>

AUDIT RECOMMENDATIONS

Audit of construction of facilities and infrastructure in support of AMISOM

Rec. no.	Recommendation	Critical/ Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
5	UNSOA should maintain and distribute minutes of meetings held between the UNSOA engineering staff and the AMISOM Force engineering staff to document decisions made and to ensure that agreed actions are taken.	Important	Yes	Chief Engineer, Deputy Chief Engineer, Mogadishu, Head of Somalia Support	15 May 2013	Minutes. <ul style="list-style-type: none"> • Copy of KPI Report • ES request to CMS for AMISOM FE involvement during PRMs. • Copy of SOR-“Third Party Project Oversight Services (TPPS)” Management accepts the recommendation. Regular meetings are held between UNSOA Engineering staff and the AMISOM Force Engineer (FE) to account for decisions made and follow up actions. Informal meetings between UNSOA ES and AMISOM FE take place at project sites, while formal meetings are scheduled every Monday via VTC between FE, CE and key engineering staff. Meeting minutes will be distributed subsequently. Attachments: <ul style="list-style-type: none"> • Copy of minutes • Copy of UNSOA ES invitation to AMISOM FE to the weekly Engineering VTC.
6	UNSOA should develop comprehensive standard operating procedures to govern and manage construction projects.	Important	Yes	Chief Engineer	(i) 31 May 2013 (ii) Completed	A Standard Operating Procedure (SOP) for Task Order Management has been developed; however there have been delays in implementation due to the need to reflect the restructuring of UNSOA. Engineering Section has also established the “Admin Support Unit, (ASU)” in January 2013, whose tasks include monitoring all activities related to the management of construction projects. Attachments: <ul style="list-style-type: none"> • Copy of SOP, Task Order Management. • Copy of UNSOA ES Organizational

AUDIT RECOMMENDATIONS

Audit of construction of facilities and infrastructure in support of AMISOM

Rec. no.	Recommendation	Critical/ ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
7	UNSOA should implement procedures to ensure compliance with the Department of Peacekeeping Operations/Department of Field Support (DPKO/DFS) Environmental Policy through monitoring the effects of construction activities on the environment and the local population.	Important	Yes	ENG. Admin Support Unit (ASU)	(i) 30 June 2013 (ii) 31 Dec 2013 (iii) 31 Dec 2013	Structure. Management concurs with the recommendation, and is reviewing options for the engagement of appropriate personnel to conduct the tasks related to compliance with DPKO/DFS environmental provisions. (i) This individual will be responsible for reviewing the assessment and recommendations prepared by UNEP and further provide analysis on current and future engineering SORs to ensure compliance with DPKO/DFS Environmental Policy. (ii) UNSOA has also initiated a procurement exercise for a Third Party Service Provider who will be tasked, <i>inter alia</i> , with the verification and inspection of construction activities performed by UNSOA contractors to ensure compliance with contractual requirements in respect of environmental regulations. Attachment: <ul style="list-style-type: none"> • Copy of TPPS SOR • Copy of TOR Environmental Expert.

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.

³ Please indicate feasibility and realistic timelines for implementation of the recommendation.