Background

As part of the Agency mandate and services, through Field Infrastructure and Camp Improvement Programme (FICIP), UNRWA constructs and maintains facilities across its five fields of operations (most of them are schools and health centres) and provides basic infrastructure and camp improvement services to most of the fifty-eight camps in the region.

Construction works carried out by UNRWA are governed by:

a. Infrastructure and Camp Improvement Department (ICID) Technical Instruction (TI) #1-2019, which gives guidance to how works are to be carried out, and TI #3, 2016 on Direct Project Implementation Cost;

b. Subsequent ICIP Technical Procedures which acts as standard operating procedures for high-risk activities such as: Variation orders, Extension of time; and

c. Standard building contract, that outlines the framework within which the works shall take place.

Objective and scope of Audit

The audit assessed the internal controls and procedures related to documentation on construction verification (upon acceptance) at West Bank field office (WBFO) in line with relevant UNRWA rules and regulations. The audit covered the period from January 2019 till December 2021, assessing the sub-processes reflecting various stages of the construction and related documentation for acceptance. A similar audit was also conducted for Jordan field office. Both fields were selected pursuant to the risk assessment conducted at inception of the audit.

What IAD concluded

The documentation on construction verification was assessed as “Partially Satisfactory – Some Improvement Needed”, which means “The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved”.

The rating was primarily due to the need for comprehensive project management planning to facilitate better monitoring and documentation on construction verification, and also more specifically the need for appropriate documentation on identification and rectification of minor defects prior to acceptance of works.

On the other hand, there were effective controls in place to manage variation orders, to ensure insurance coverage and bank guarantees are in place throughout the construction, and that contractor performance evaluations are conducted.

Overall, enhancements were needed to ensure practical application of the guidance and appropriate documentation for each phase of the construction cycle as shown below:

Pre-requisites for ensuring quality and timeliness of works - Contractor's Quality Plan, including detailed deliverables and progress schedule were duly obtained, however were not fully utilised for effective project management as there is no implementation plan with timeline and defined roles and responsibilities to perform monitoring activities needed to ensure the works by the contractors per agreed milestones and specifications.
**Execution of works (ensuring quality)** – FICIP carries out independent lab tests signed by the direct responsible on the site (Site Engineer), but verification of the results by the supervisor (Construction Engineer) was not documented. Although sample material for key materials such as windows, tiles etc. submitted were in practice inspected against specifications by technical experts, the verification by the supervisor (Construction Engineer) was also not documented.

For interim payments of the works conducted, measurement sheets with documented supervisory verification by the Construction Engineer as per TI#1-2019 were not found.

**Execution of works (ensuring timeliness)** – Time extensions are issued when works have been delayed due to unavoidable circumstances and were discussed with Director of Works, communicated with donor, and duly approved by Chief FICIP. However, liquidated damages as required in the Standard Operations Procedures on Extension of Time (ICIP-Pr-25) may not have been timely applied in practice due to an Memorandum of Understanding in place with the Palestinian Contractors Union.

**Provisional and final acceptance of works** – When the project is nearing completion, a final snag list is compiled to facilitate handover, but there was no evidence of stakeholder/user department agreement nor documentation to confirm that identified minor defects were rectified.

**Reporting and monitoring** – FICIP were reporting timely and per agreed upon frequency on works progress. Gaps however was noted in data used, in Facilities Management Information System (FMIS, a system to manage the maintenance and construction projects Agency wide) was however not fully utilized to facilitate efficient and effective reporting on the status of the construction contracts. Also, two payment forms with inconsistent information about the liquidated damages were used to process the final payment of one sample.

**Monitoring of ongoing works** – Monitoring visits to sites were minuted but the required verification activities by the Construction Engineer/ Chief FICIP on material submission carried out were not documented as observed above.

**Good practices**

Upon notification of the initial audit observation, WBFO took prompt action to address the noted deficiencies before the issuance of the audit report, including additional internal communication on the provisional take over, and introduction of a standard requirement for construction documents to be archived.

Improvement was also noted on managing variation orders and on conducting contractor performance evaluation as recommended in the DIOS thematic audit of Procurement and Contract Administration Processes for Maintenance and Construction Contracts at four field offices, including WBFO.

Additional good practices included the utilization of electrical and mechanical engineers’ expertise in the assessment of material to be installed, as well as the continuous coordination between FICIP management and the engineers on site that ensures timely escalation of issues.

**What IAD recommended**

DIOS made one high priority recommendation (#1) and five medium priority
recommendations. To address the issues identified in the audit:

1. WBFO should develop and apply a comprehensive project management plan, leveraging off existing progress schedules/Contractor’s Quality Plan. The plan should include relevant milestones and requisite roles and responsibilities, for managing, monitoring, quality assuring and reporting on construction works.

2. WBFO should ensure proper documentation of verification conducted by appropriate authority for lab test results and sample material submittal forms as part of the Quality Assurance/Quality Control process in conformity with TI#1 2019.

3. WBFO should maintain documentation of the supervisory action and verification measures taken by Director of Works prior to release of interim payments.

4. WBFO should seek Infrastructure and Camp Improvement Department guidance to ensure that the provisions under Memorandum of Understanding with the Palestinian Contractors Union are fully aligned with the Technical Instruction, in particular the current exception to the TI#1 2019 on applying liquidated damages is duly examined by ICID.

5. WBFO should ensure that there is sufficient documented evidence of agreement by relevant stakeholders for identification and rectification of the Final snag List prior to acceptance of the work including documentation of completion of minor defects using relevant standard form.

6. WBFO should seek Infrastructure and Camp Improvement Department guidance to improve the quality of Monthly Report on Progress, including utilization of appropriate Facilities management Information System functionalities.

What management is doing to address IAD recommendations

Management accepted the recommendations and has taken initiatives to address them, such as consultation with the field Legal office and with ICID, in addition to the prompt action above. Status of implementation after issuance of the report will be assessed as part of the periodic follow up by DIOS.

Methodology, Approach and Disclosure

IAD assessed the internal controls and procedures related to documentation on construction verification (upon acceptance) in WBFO, in line with relevant UNRWA rules and regulations.

The audit approach included enquiries and interviews with staff, and a review of construction projects for selection of sample.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. It was completed in conformity with the approved work plan and considered the risk assessment exercise conducted prior to the audit.

Pursuant to OD14, this summary of findings and recommendations including management action taken to address recommendations is made publicly available on the DIOS internet page upon issuance of the report on 1 March 2023.