

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 JFO in line with relevant UNRWA rules and regulations. The audit covered the period from January 2019 till December 2021, assessing the sub-processes reflecting different stages of the construction and related documentation for acceptance. A similar audit was also conducted for West bank 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 - Major Improvement Needed", which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning but need major improvement to provide reasonable assurance that the objectives of the audited entity/area should be achieved".

DIOS noted that appropriate requirements and guidance for construction documentation and filing were established. However, there was an important gap in adherence to the established minimum documentation requirements and there is an immediate need to ensure that adequate monitoring and its appropriate documentation are in place during each of the construction phases as detailed below:

Pre-requisites for ensuring quality and timeliness of works - Multiple Director of Works were appointed while respective roles were not clarified, which is not in line with the TI#1-2019. Furthermore, no plan was used for more effective and efficient monitoring on the execution of works, despite the duly submitted progress schedule and quality plan. In addition, while insurance policies and performance guarantee were in place to cover most of time extensions, there was a gap. Moreover, there was no documentation of internal measures taken to ensure completeness of coverage including for time extensions.

Execution of works (ensuring quality) – Material submittal forms used for key materials such as windows, tiles etc. were in practice inspected against specifications but there was no evidence of supervisory action taken on the verification.

For interim payments of the works conducted, documentation of supervisory measures taken to ensure accuracy and completeness as required by the 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.

Provisional acceptance of works – When the project is nearing completion, a final snag list is compiled to facilitate handover, but there was no documentation to confirm that the outstanding items were actually completed prior to acceptance of works.

Reporting and monitoring – FICIP were reporting timely and per agreed upon frequency on works progress. 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.

Construction completion reports were drafted and shared, however without required information on final expenditure, and evidence of endorsement by Finance. The construction files also does not show dissemination of the completion report to all stakeholders as required by TI#1-2019, due to incomplete filing, as mentioned above.

Monitoring of ongoing works – IAD was informed that Chief FICIP and Deputy/Chief FICIP visited the site regularly, but the required monitoring activities were not appropriately documented, and the visits were not planned in accordance with progress of works, or the size of construction projects.

Execution of minor works – TI#1-2019 requirements were not fully applied for minor works. In practice they are executed as service contract or with minimal documentation, as it was perceived that the documentation requirement in TI#1-2019 do not apply on contracts executed in short period or less than US\$ 10,000. DIOS did not find such practical accommodation in the TI#1-2019.

Good practices

Significant improvement was noted related to variation order in light of the enhancement of the process through new guidance as recommended in the DIOS thematic audit of Procurement and Contract Administration Processes for Maintenance and Construction Contracts at four field offices, including JFO.

DIOS noted that procedures were in place to review and verify the accuracy and completeness of variation orders, documentation and approval for the variation orders selected were clear and sufficient, and the nature of the selected variation orders were also in line with the technical instruction.

What IAD recommended

IAD made three high priority recommendations (#1, #3, and #6), and six medium priority recommendations focusing on enhancements needed in documentation:

1) JFO should take necessary measures to ensure valid insurances and guarantees are maintained and filed throughout the construction contract period accordingly to avoid exposure to the Agency.

2) JFO should ensure appointment of Director of Works in accordance with the TI#1-2019 and to include clearly defined roles and responsibilities among the construction management staff to safeguard adequate segregation of duties during all phases of the execution of works.

3 JFO should develop and apply a comprehensive plan including relevant milestones and requisite roles and responsibilities, for managing, monitoring, quality assuring and reporting on construction works in line with an internationally accredited project management framework/methodology (e.g. PRINCE2, PMP).

4 JFO should take necessary measures to ensure completeness of material submittal forms including proper documentation of its approval.

5 JFO should maintain appropriate documentation of the supervisory action and verification measures taken by Construction Engineer prior to release of interim payments.

6 JFO should ensure there is sufficient documented evidence of clearing of the identified defect as included in the snag list, prior to acceptance of the works.

7 JFO should ensure that the reporting on the status of construction projects utilizes appropriate FMIS functionalities.

8 JFO should strengthen the monitoring by senior staff through implementation of a relevant site visit schedule, based on specific criteria reflective of the nature, duration, and value of the contract. These monitoring activities should also be appropriately documented as part of the QA/QC process in conformity with TI#1-2019.

9 JFO should ensure that all minor works contracts executed appropriately adhere to the TI#1-2019 requirements, specifically as it relates to construction file documentation.

What management is doing to address IAD recommendations

Management of JFO accepted the recommendations and has taken action to address them, including having additional monitoring by other construction staff. Management is also in the process of implementing remaining recommendations. 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 JFO, 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 DIOS methodology, which is designed to conform to 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 30 October 2022.