

United Nations Nations Unies

BOARD OF AUDITORS

NEW YORK

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Opening statement to the Fifth Committee

Introduction to the UN Board of Auditors report on the capital master plan for year ended 31 December 2013 (A/69/5 VOL. V)

10 November 2014

Chairman,

Distinguished Delegates,

On behalf of the Chairman, Sir Amyas Morse, (UK) and the other Board members, Mr Liu Jiayi (China) and Mr Ludovick Utouh (Tanzania), I have the honour to introduce the report of the United Nations Board of Auditors on the capital master plan (CMP) for the year ended 31 December 2013.

Background

The refurbishment of the UN headquarters in New York, the capital master plan, is a complex, high value and high profile refurbishment project to modernize, secure and preserve the architecture of the iconic 1950s campus. This latest annual progress report from the Board focuses on the key developments since we last reported to the General Assembly in the 68th session.

Key findings

Overall, the Board acknowledges that the substantial delivery of the capital master plan is a significant achievement. The main buildings and basements are complete or substantially complete, and the General Assembly Building was ready to host the September General Debate. Costs have largely been contained since the Board's last report. This reflects the highly skilled and agile approach of the Office of the Capital Master Plan in the face of demanding deadlines. The Board makes four recommendations in its current report that are intended to increase the level of certainty with respect to how the project will be completed, and how to secure the maximum return on the significant investment made by Member States. This is relevant to both the capital master plan, and future major projects such as the Strategic Heritage Plan in Geneva. (Paragraph 25 of the summary)

No new risks or significant cost increases occurred in the period under review. The estimated total cost to the United Nations is largely unchanged since the Board's previous report at \$2,374 million. The estimated total cost if achieved would mean that a \$379 million (19 per cent) cost overrun would have been incurred against the total budget. It

should be noted that these figures take into account the associated costs of the project and the costs of the secondary data centre. Taking the construction costs in isolation, the final estimated construction cost overrun against the budget would be \$224 million (11 percent). (See paragraphs 10 to 16).

The uncertainty in how the capital master plan would be financed through to completion, a risk previously reported by the Board, has been resolved. General Assembly approval in April 2014 for the use of the working capital fund and the special account as an interim finance mechanism has allowed the project to proceed with more certainty and has mitigated a key risk (the need to resolve the financing gap) reported last year. (See paragraphs 26 to 29)

Work of the office of the capital master plan is expected to end in June 2015. At the time of audit the timeline for the remaining scope included: the completion of the basements (October 2014), the disassembly and removal of the temporary North Lawn Building (January 2015) and final landscaping (April 2015), with the financial and administrative close-out of the project and the closure of the Office of the Capital Master Plan by June 2015.

On current plans the Library and South Annex buildings will not be completed before the closure of the Office of the Capital Master Plan. The Administration has provided options on possible alternative locations for the functions carried out in those buildings, but a solution has not been finalised. Any solution will require additional financing, a project plan and a team to deliver it. Additionally, the project will end without undertaking work on the service drives on 42nd and 48th Streets as the Administration is awaiting permits from the host city. This work is expected to take 18 months at an estimated cost of between \$15-20 million and will be overseen by the Office of Central Support Services.

In response to the Board's recommendations, the Administration is continuing to make progress on its project to assess the cost and benefits of a move towards flexible use of office space. The Board continues to believe this could realise significant benefits in working practices and cost efficiencies, not least the potential to reduce rented office accommodation in New York. It could also have a wider potential more widely, the Administration continues to improve its understanding of the current condition of the global estate with a view to developing a long term asset management strategy for the newly renovated New York campus and globally for the entire UN estate.

There are a number of lessons in how to deliver a major capital project in the United Nations, both positive and negative, that the Administration has to learn to help protect against cost and time overruns in future projects. The Board welcomed the Administration's articulation of lessons from the capital master plan in the last progress report of the Secretary-General, and acknowledges the positive steps to incorporate these lessons in the planning stages of strategic heritage plan in Geneva. The Board is finalising a lessons learned document, drawing on the Board's reporting over the last decade on this project, which the Administration, and the General Assembly, might find useful when undertaking future major capital projects.

Chair, that concludes my statement

Steven Townley
Director of External Audit (UK)
Chair, Audit Operations Committee

Table 1: Projected costs, budget and cost overrun as at March 2014² (\$ millions)¹

	Project (construction) costs	Associated costs	Secondary data centre	Total
Approved budget	1,877			
Donations	14			
Enhanced security upgrade	100			
Contribution to secondary data centre			4	
Total consolidated budget	1,991	0	4	1,995
Anticipated final costs	2,115			
Enhanced security upgrade	100			
Associated costs ³		140		
Secondary data centre ³			19	
Total anticipated final cost	2,215	140	19	2,374
Variance between budget and anticipated final cost	(224)	(140)	(15)	(379)

Notes

1. Values rounded to nearest million
2. Annex IV of the report presents more detailed breakdown of budget and costs
3. These costs were not included in the approved capital master plan budget and the General Assembly requested that these costs be absorbed from this budget

Source: Board analysis of the Administration's data and General Assembly resolutions