Opening Statement to the Fifth Committee
on the Report of the UN Board of Auditors on the
Strategic Heritage Project in the United Nations Offices at Geneva
[A/70/569]

29 February 2016

Mr Chairman,

Distinguished Delegates,

On behalf of the Chairman, Mr. Mussa Juma Assad, (United Republic of Tanzania) and other Members of the Board, Mr. Shashi Kant Sharma (India) and Sir Amyas Morse, (United Kingdom), I have the honour to introduce the report of the Board of Auditors on the Strategic Heritage Project in the United Nations Offices at Geneva.

The Strategic Heritage Plan (SHP) involves the renovation of the United Nations Offices at Geneva (UNOG) to meet the requirements of the organization and address health, safety and working conditions. It would be recalled that the General Assembly had stressed in December 2013 the importance of oversight with respect to the development and implementation of the SHP and had requested the Advisory Committee on Administrative and Budgetary Questions (ACABQ) to request the Board of Auditors to initiate oversight activities and to report thereon to the General Assembly. This report is in pursuance of the request made by the General Assembly through the ACABQ. The Report of the Board was sent to the Secretariat on 23 November 2015.

The projected cost of the project is currently CHF 836.5 million ($869.54 million) and is expected to be completed in 2023. The project is proposed to be implemented in two phases. The construction of the new building is targeted to commence in 2017 and be completed by 2019. The renovation of the existing buildings will last till 2023.

Overall conclusion

The Board is of the view that, while the project could commence as proposed by the Administration, there are areas of concern that had implications for both its timely completion as well as its overall costs that merited attention. The Board acknowledges that the SHP management team has made a very credible effort to take cognizance of the lessons learnt from previous projects including the Capital Master Plan but the real test is how well they are applied in practice. Similarly, while the governance structure put in place is largely adequate, the real test of efficacy is how effectively these structures actually operate and this would be known only in due course. The time line for seeking

financial approvals and for progressing the project are aggressive and may pose challenges for the Administration. Given that delays had already been experienced in some of the preliminary activities associated with the project, achievement of these time lines will require very close monitoring of the various activities as well as sub-activities of the project coupled with proactive action to address whatever impediments that may arise.

Key Findings

Activities planned and accomplished during 2015

It had been envisaged that the design master plan would be completed by the lead design firm in March 2015. This was critical as it sets the overall design strategy and guidelines that constitute the over-arching internal control framework including quality assurance mechanisms for the design and construction activities that will follow. Evaluation of the building and in-depth site assessments, the concept or schematic design for the SHP, development of detailed designs for the construction of the new building, renovation of the existing 'A' conference building, fire protection of the historical archives, development of the detailed cost estimates and preparatory activity for tender documentation were also to be completed within 2015. The Board noted that deliverables targeted for completion in 2015 were not fully achieved. Such slippages may have an adverse impact in terms of time lines for the project and firming up of the cost estimates.

Lessons learnt from Capital Master Plan and other projects

While the SHP management team has taken note of most of the major issues or "lessons learnt" from the previous projects including the Capital Master Plan including scoping and associated costs, knowledge of local market, life cycle of assets, consultations with stake holders, project manuals, risk management, change control and contingency management, the true value of these lessons would lie in how effectively these are actually embedded in the execution of the project and its implementation. Certain activities that are important from the internal control point of view like development of project manuals including change controls need to be expedited.

Delay in project design

There have been delays in completion of many of the activities relating to project design ranging up to 56 days. These were attributable to a variety of reasons including delay in retrieval of archived documents necessary for the structural and geo-technical surveys, delay in submission of actual location information and its review by management for conduct of intrusive tests, re-scheduling of surveys for some locations stated to be inaccessible and delay in the revision process for the final concept design.

Preliminary budget and cost estimates

The detailed costs for various buildings were worked out by the consultant. The cost of many items was on lump sum basis and arrived at based on historical and local market conditions without a detailed supporting rate analysis. The Board also noted that allowances made for some elements like overheads and profits, consultants' fees and

contingencies appeared to be in excess of what is indicated in commonly used industry standards. While acknowledging that there are different pricing books and standards in the industry and the quantum of such allowances would depend on the nature and complexity of specific projects, the Board notes that cost estimates should normally be based on some established industry standard duly enhanced for location as may be necessary. This would be more transparent and objective and enhance assurance as to the financial soundness of the cost estimates.

Governance structure

A provisional Advisory Board has been constituted and provisional chairperson appointed to provide independent and impartial advice to the Director General of UNOG for issues arising from the implementation of the project. Similarly, a Steering Committee has also been established to provide oversight of the project and its implementation and to support the Director General by providing advice and guidance regarding project design, construction, budget and changes in scope of the project. However, the terms of reference for both the Advisory Board as well as the Steering Committee provided very preliminary information with respect to their roles and responsibilities and did not clearly define their distinct mandates.

Internal control

There had already been delays in completion of several activities such as completion of design master plan by 28 days, concept design completion by 45 days, initiation of detailed design for phase I of new building by 42 days and initiation of detailed design for phase I of renovation by 56 days. This underlined the imperative need for a robust mechanism of internal control in order to reduce the overall impact on cost and schedule of the project.

Development of a project manual is currently under progress. Existence of an updated manual is an important element of internal control and is extremely significant for creating documentation with respect to such critical issues as justifications, procedures and mechanisms adopted for changes with respect to scope, cost and schedule of the project.

Procurement and contracting

Administration confirmed to the Board that the UN Financial Regulations and Rules that enunciate the general principles which are to be given due consideration when exercising procurement functions as well as the UN Procurement Manual relating to ethical standards and responsibilities in procurement would be adhered to. This included provisions relating to security instruments including performance and payment bonds and financial protection in case of default like liquidated damages. However, a review of ongoing contracts indicated delays in deliverables under different contracts for provision of various services. However, there was no provision for levy of liquidated damages for delays attributable to the contractors in any of these contracts. In one contract, there was a provision for limitation of liability of the contractor which constituted a deviation from the standard terms of contract envisaged in the Procurement Manual. There was thus

significant divergence between the procurement actions and the stipulations of the UNFRRs and the UN Procurement Manual.

Risk management

Risk assessment and mitigation is a priority area of concern for a project like the SHP. The primary risks identified currently include (i) management of foreign currency exposure since two currencies are involved in the funding and execution of the project, (ii) maintenance strategy for the assets created, (iii) the stringent timelines which involve coordinated actions by various inter related parties, (iv) scope control, contingency spending and management of change orders, and (v) protection and preservation of artworks.

Based on its review of the activities so far, the Board has made recommendations that are aimed at strengthening the implementation process and mitigating the risks going forward. The Board is pleased to report that Administration has concurred with the recommendations and informed that they had initiated various actions that were on the lines recommended.

The Board notes that the General Assembly has since approved the proposed project scope, schedule and estimated cost of the project in the maximum amount of CHF 836.50 million for the period from 2014 to 2023 and has authorized the commencement of the renovation and construction phases of the project. The resolution of the General Assembly also reflects some of the concerns highlighted in this report. The actions taken by the Administration to address the concerns will be looked at by the Board through its subsequent reports on the Strategic Heritage Project.

Mr. Chairman and Distinguished Delegates, this concludes my statement. My colleagues and I will be available to respond to questions during the informal sessions of the Committee.

Thank you.

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Opening Statement to the Fifth Committee
on the Report of the UN Board of Auditors on progress handling ICT affairs in the Secretariat
[A/70/581]

29 February 2016

Mr. Chairman,

Distinguished Delegates,

On behalf of the Chairman, Mr. Mussa Juma Assad, (United Republic of Tanzania) and other Members of the Board, Sir Amyas Morse, (United Kingdom) and Mr. Shashi Kant Sharma (India), I have the honour to introduce the report of the Board of Auditors on the handling of Information Communication Technology affairs in the Secretariat.

Background

Effective information and communications technology (ICT) is essential to supporting the wide range of activities undertaken by the United Nations both at Headquarters and in the field. During biennium 2014-2015, the Administration estimates it spends an annual ICT budget (excluding Umoja) of $663.7 million, and employs an ICT workforce of nearly 4,400 people to support over 70,000 users across 376 locations.

This is the second report produced by the Board on the handling of ICT affairs in the Secretariat. Its first report was produced in December 2012 (A/67/651) in response to a request from the General Assembly and found that the Administration had been unsuccessful in enforcing a centralized ICT strategy and highlighted some serious concerns over the adequacy of the UN information security environment. The Board concluded that the ICT strategy in place at that time could not be implemented through the work of a central ICT function that lacked the authority to enforce change, and that any global ICT strategy was

unlikely to be successful unless a number of fundamental managerial and structural issues were addressed.

Following the General Assembly's approval of the Secretary-General's revised ICT strategy in December 2014 (A/60/517), the Board decided to undertake a follow up audit in September 2015, three years after its first audit of ICT affairs. This report focused on the progress made addressing the Board's earlier concerns about the security of the United Nations information environment; the development of the revised ICT strategy; and, progress in implementing the revised strategy.

Key findings

Overall, the Board considers that the revised ICT Strategy is a good first step in responding to the Board's 2012 report. The Administration has taken a number of positive steps including developing and agreeing a revised ICT strategy and has begun restructuring the Office of Information and Communications Technology (OICT) to support its implementation. A new CITO, who was appointed in May 2013, is responsible for leading the implementation of the strategy in line with GA Resolution 69/262.

The revised ICT Strategy

The revised strategy focuses on standardization of ICT policies, applications and procedures, and harmonization of various support structures. Such activities have been necessary to establish the governance, infrastructure, and technical ability required for the Administration to implement the strategy successfully. There have been a number of areas where tangible progress has been made, for example the development of updated information security policies, the establishment of Regional Technology Centers, Enterprise Data Centres, the deployment of a global service help desk to help support the deployment of Umoja, and the development of an application management strategy.

However, many of the planned activities are in the preparatory or planning phases and some of the fundamental managerial and structural issues identified in the Board's 2012 report, have not yet been fully addressed. Until these issues are resolved there are significant limitations to what can be achieved in terms of the pace of substantive change.

Implementation of the strategy is currently reliant on collaboration rather than clear and agreed business rules. Although the Secretariat had intended to issue an updated Secretary-General's bulletin setting out revised policies and procedures, including delegations of authority on ICT matters, this has not yet been done and is now expected to be completed in the first quarter of this year. There also remains a lack of agreement regarding which activities require strong central control and which activities require or merit operational freedom.

Information Security

On information security, the Board found that the Administration has taken steps to improve information security including deploying an intrusion detection system and updating key information security policies. Measures to strengthen and harmonize desktop security and network security are also underway at Headquarters and mandatory training courses on information security have been introduced. However, there is a lack of formal authority and capacity to monitor and ensure compliance with information security policies and procedures, particularly beyond headquarters.

Progress implementing the ICT Strategy

The Board was unable to provide assurance that the overall implementation of the revised ICT strategy is on schedule and within budget. Progress has been slower than the Administration expected when its plans were first developed in 2013. Although progress is being made, the timetable for implementing the strategy is ambitious and did not reflect a full understanding of the depth of the challenges that needed to be overcome. Although the Administration is confident it has delivered activity to date within existing resources, key budget and spend data is missing from the majority of the projects underpinning the strategy and the Board had little confidence that these budgets and costs were being adequately overseen and controlled.

As requested by the General Assembly, the Administration attempted a five-year indicative budget projection for ICT but it is based on incomplete data. The most critical issue is the absence of baseline data from the Department of Field Support, which accounts for some 72 per cent of ICT expenditure.

The Board's previous report noted that any revised ICT strategy would need to evolve and adapt over time. The report also noted that a global ICT strategy would be unlikely to be successful without the full collaboration and support of all heads of business units. The strategy itself recognizes that it is dependent on clear governance, strong leadership and optimal use of resources. Significant improvements are needed in all three of these areas if the revised strategy is to be successful. In particular, the Administration needs to ensure unity of purpose around the key aims and objectives of the strategy by showing strong governance and leadership, and issuing updated policies and procedures to implement the CITO's mandate from the General Assembly. Departments also need to align their strategies and workplans with the requirements of the revised ICT strategy and take demonstrable action to support it.

To maximize the chances of successful implementation of the strategy, and the achievement of its aims, the Board makes a further seven recommendations, all of which have been accepted by the Administration, although one is only partially accepted.

Overall, of the 16 outstanding recommendations made in the Board's 2012 report, all of which were accepted by the Administration, the Board judges that two have been fully implemented and the remaining 14 are under implementation. The Board is also satisfied that notwithstanding the issues raised in its current report, management remains committed to implementing its recommendations.

This concludes my introductory statement. I, along with my colleagues, would be happy to provide any clarifications or additional information that the Committee may require.

Thank you.

Salhina Mkumba
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Chairman, the Audit Operations Committee