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BOARD OF AUDITORS
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Opening statement to the Fifth Committee

United Nations Board of Auditors thirteenth annual progress report on the Capital Master Plan (CMP) A/71/5 Vol. V for the year ended 31 December 2015

18 October 2016

Mr. Chairman,

Distinguished representatives,

On behalf of the Chairman, Professor Mussa Juma Assad (Controller and Auditor General of Tanzania), and the other Board members Sir Amyas Morse (Comptroller and Auditor General of the United Kingdom) and Mr Shashi Kant Sharma (Comptroller and Auditor General of India), I have the honour to introduce the main findings from the Board of Auditor's thirteenth annual progress report on the capital master plan (CMP).

Background

The United Nations refurbishment of its headquarters in New York, the capital master plan, is a complex, high value project to modernise, secure and preserve the architecture of the 1950s campus without compromising day-to-day operations.

Key findings

The capital master plan is in its final phase after nearly 14 years and an investment of \$2.3 billion. All major procurements actions are finalised, major construction works are complete, residual works are in progress, and the administrative close out of completed

contracts continues. The Administration needs to manage the residual risks around the project and maintain project management disciplines to ensure it is completed smoothly within the current timetable and budget. In particular, the Administration should maintain close control of consultancy and other costs, prioritize its efforts to realize the full benefits of member states investments in the CMP and ensure it has credible maintenance plans in place to preserve the full value of the significant investment in the campus.

On the Financial status

The Administration is committed to completing the project within existing resources and the Board considers this to be achievable. Resolution 70/239 requests the Secretary-General to deliver the project within existing resources. The Board considers that sufficient savings can be released from existing contracts during the closure process to enable the completion of the project within existing resources.

The main risks to completing the remaining project activities within the anticipated final cost relate to the delayed closure of contracts and the associated need to control the costs of consultancy support. As at March 2016 the programme management consultancy contract had been amended 36 times, extending the end date from December 2011 to December 2016, and increasing the total Not To Exceed (NTE) value from \$15.9 million to \$59.0 million. Due to the high dependency on expert consultants, it is probable that consultancy support will also be required in 2017 further increasing these costs. The Administration also breached procurement rules during its extensions to contracts for consultancy support in 2015, which it has since rectified.

The main contractor has filed a notice of arbitration against the United Nations seeking indemnification in the event it is required to settle substantial claims from its sub-contractors. The Administration considers it has no liability in respect of this claim and that any action against the UN would not succeed. In the event that any claims against the UN were upheld, the final project cost would increase as no provision exists for such claims in the budget. The Administration has retained external legal counsel to defend its interests in the dispute between the contractors.

On the Project schedule and scope

The revised plan to complete the main construction works proved unrealistic and the re-introduction of earlier project management disciplines is required. The smaller project team and reduced number of expert personnel, exacerbated by the additional workload arising from the implementation of Umoja resulted in a reduced level of project management discipline and oversight in 2015. An up to date consolidated project plan could not be provided for audit, risk registers had not been updated and key management reports previously available under the Office of Capital Master Plan such as monthly cost reports were also unavailable.

The Administration is unlikely to achieve the administrative closure of the project until 2017 but all residual construction works should be completed by December 2016. As at March 2016, the Basements, General Assembly and Conference Buildings though fully occupied, had not obtained final certification. In total, 10 Guaranteed Maximum Price contracts remained open, and a significant number of subcontracts were still to be finalised and paid in full. Prior to its closure in July 2015, the Office of the Capital Master Plan expected all these tasks to be completed by October 2015. This was not achieved and the project is now expected to be closed in 2017. At the time of audit, the demolition of the North Lawn Building, landscaping works and major works on the 42nd and 48th service entrances were underway and on target for completion in 2016.

There has been no progress developing new proposals to renovate the Library and South Annex buildings which were removed from the scope of the CMP in 2015. The Administration informed the Board that comprehensive proposals will only be prepared once the General Assembly takes a decision on the question of Long Term Accommodation in New York. Interim solutions introduced at a cost of \$13 million are in place and were met from within the existing budget.

On Managing the campus

The transition from the construction phase to managing day-to-day operations has occurred and the campus is operating effectively. Although there are almost 20,000 service requests to the Facilities Management Service (FMS) help desk each year, most are routine and there have been no major complaints, critical incidents or disruptions to operations. In 2017 the Administration intends to commission a specialist firm to review its approach to maintaining the renovated campus. This provides an opportunity to assess the balance between outsourcing and in-house provision to ensure the best use of resources. An agreed long term maintenance plan for the campus is not yet in place.

On Maximising the benefits of the renovated campus

The Administration has not yet assessed if the renovated campus has achieved its energy efficiency targets, but this appears likely. The energy and water supplies to the North Lawn Building were terminated in January 2016 and the new environmental reporting system will be online in April 2016. Therefore, the Administration will be in a position to demonstrate benefits from energy efficiency in 2017 using 12 months of utility bills data in January 2017, and 12 months of data from the environmental reporting system in April 2017.

The Administration plans to optimise the use of the renovated campus by introducing flexible workplace. Making the best use of the office space available in the renovated campus will increase the return on the significant investment of member states. The Administration accepts that space could be used more efficiently across headquarters and has proposed accommodating an extra 800 staff in the Secretariat Building. Notwithstanding recent increases in the projected costs of implementing flexible workplace, it still provides a compelling business case for member states to consider and offers a payback period of around five years.

Recommendations

Over the past three biennia the Board has made 42 recommendations intended to improve the management and governance of the project. Of the 11 outstanding recommendations from the Board's previous reports, all of which the Administration accepted, three (27 per cent) are implemented, four (37 per cent) are under implementation, three (27 per cent) were not implemented and one (9 per cent) is closed by the Board and superseded by a new recommendation. The Board has made an additional five recommendations in its current report intended to help complete the project and demonstrate the return on the significant investment made by Member States.

This concludes my introductory statement. I, along with my colleagues, would be happy to answer any questions the Committee may have.

Thank you.

Salhina Mkumba
Director of External Audit, Tanzania
Chairman, Audit Operations Committee