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BOARD OF AUDITORS
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Opening statement to the Fifth Committee

**United Nations Board of Auditors Twelfth Annual Progress report on the Capital
Master Plan (CMP) A/70/5 Vol. V for the year ended 31 December 2014**

27 October 2015

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 twelfth annual progress report on the capital master plan (CMP).

Background

The capital master plan project to refurbish the UN headquarters in New York is a complex, high value project to modernise, secure and preserve the architecture of the 1950s campus without compromising day-to-day operations. This is the Board's twelfth annual progress report, which was finalised in June 2015, and focuses on the key developments since we last reported to the Committee in 2014.

Key findings

Overall, the Board acknowledges that substantial completion of the capital master plan by September 2014 was a significant achievement given the projects complexity and difficult start. In particular, the commitment to hold the 2014 General Debate in the newly refurbished General Assembly building was achieved.

The General Assembly's decision to remove the Library and South Annex buildings from the project's scope reduced the total anticipated final cost by \$65 million to \$2,309 million, and reduced anticipated construction costs to \$2,150 million. It is important to note however that this is the cost of delivering a significantly reduced project scope three years later and at a higher cost than originally planned.

The project has exhausted the available contingency funds and is now reliant on financial savings from contracts to meet any unforeseen costs arising in the future. As at June 2015, the Administration estimated an overall saving of \$39.5 million from obligations to the main contractor, which could be applied to meet remaining project costs. It is likely the anticipated final cost will fluctuate, until all contracts are finalised (October 2015) and works completed (December 2016), but the Administration is confident sufficient funds are in place to complete the remaining scope. The Board noted a significant increase in the estimated cost of demolishing the North Lawn Building and reiterated its concerns regarding the Administration's approach to cost estimation in paragraphs 13-16 of the report.

Although the project is nearing completion, the Administration needs to continue to closely manage the administrative close-out of the guaranteed maximum price contracts and the delivery of the \$49 million of residual works by December 2016. In its last report, the Board recommended that the Administration clarify its plan to complete the capital master plan, particularly given the Office of the Capital Master Plan was scheduled to close in June 2015, before the project's completion. In response, the Department for Management transferred eleven staff (at an estimated cost of \$1 million),

and 20 programme management consultants (at a cost of \$1.76 million), from the CMP project team to the Office of Central Support Services which has now assumed responsibility for completing the project. The team will manage the administrative closure of the GMP contracts, and deliver \$49 million of scope comprising \$35 million of remaining project works and \$14 million to provide interim arrangements for the functions of the Library and South Annex Buildings.

The Board has previously noted that the Administration's focus was primarily on technical delivery, with less evidence of a robust approach to defining benefits and developing firm plans for realizing them. The ACABQ also made a recommendation in this regard but the Administration has not yet produced a benefits statement which confirms to the General Assembly that the expected outcomes from the project have been achieved. We were informed, as suggested in the Board's report, that this would be included in the Secretary-General's 13th progress report.

The newly renovated campus continues to provide opportunities to apply flexible workplace strategies and secure further benefits from the significant investment made by Member States. Although the opportunity was missed to design flexible workspace directly into the renovation project, the renovations make it much easier to implement this initiative using the more standard, modern and open office space. The pilot project in the Secretariat building has been generally well received, but the results suggest the Administration could set more ambitious goals going forward.

The Strategic Capital Review, a 20 year rolling plan for asset maintenance, is a significant step towards developing a proactive long-term asset management strategy. A long-term strategic asset management plan would provide greater clarity over future maintenance costs required to preserve the benefits of the significant investment in the capital master plan and would mitigate the risk of requiring another costly and disruptive renovation project in the future.

Recommendations

Of the nine extant recommendations from previous years, two were fully implemented, five were under implementation, one is not implemented and one has been closed by the Board. In the current report, the Board makes five recommendations which focus on the need to ensure the CMP project is brought to an orderly conclusion, that the benefits of the investment are realised and that the important lessons from this project are learned and applied to similar projects such as SHP in future

Chair, 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