

**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.



**Salhina Mkumba**  
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**United Republic of Tanzania**  
**Chairman, the Audit Operations Committee**