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BOARD OF AUDITORS
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OPENING STATEMENT TO THE FIFTH COMMITTEE FORMAL SESSION ON
THE REPORT OF THE BOARD OF AUDITORS ON
THE CAPITAL MASTER PLAN FOR
THE YEAR ENDED 31 DECEMBER 2009

TUESDAY, 8 MARCH 2011

Mr. Chairman,

Distinguished members,

As Chairman of the Audit Operations Committee (AOC) of the United Nations Board of Auditors and on behalf of the members of the Board, Mr. Liu Jiayi of China, Mr. Terence Nombembe of South Africa and Mr. Amyas Morse of the United Kingdom, I have the honour to introduce to the Fifth Committee the Board's report on the capital master plan for the year ended 31 December 2009.

As you will notice, there is no audit opinion attached to this report, since the accounts for the capital master plan are included in those of the United Nations Secretariat. My predecessor, Mr. Imran Vanker, Chairman of the AOC until 31 December 2010, had introduced the Board's report on the accounts of the

Secretariat in October 2010 to the Fifth Committee. I will therefore confine my statement to the principal management observations contained in this report.

This report is based on an assignment that took place in March 2010, that is one year ago, and therefore does not reflect the current state of affairs of the capital master plan project. In this assignment, the Board concentrated its efforts on a more elaborate review of contracts relating to the project. It will be recalled that the year before, in March 2009, the Board had expressed concern at the easing of some of the controls in the procurement process which resulted in some shortcomings being highlighted in the case of certain contracts. The Board had considered that the internal oversight in this area needed to be intensified.

The Administration had agreed to take remedial action by setting up an ex post facto review committee to look into all contract amendments relating to the capital master plan. At the date of reporting, although the necessary texts had been adopted, the committee had not been set up at the time of our audit. This means that the problems highlighted in the year before remained and has been highlighted in this report.

The Board has therefore, in this report, urged the Administration to make the post-award review process operational as quickly as possible. In addition, the Board has noted that in some cases the change orders bore little relationship with the initial contracts.

With regard to the construction project, the report indicates that the project continued to be behind schedule ranging from nine months and one year, according to the category of work, compared with six months previously reported.

In relation to the Secretariat Building, the increase in delay is due to the difficulty of evacuating everyone from the premises on time. The Board has identified some possible causes of further delays in the future, such as the growing number of requests for programme changes and the lack of decision-making on office space planning.

At the time of the audit, the estimated total project cost was approximately five percent above the budget approved by the General Assembly and, judging from some expenditure patterns, such as those for consultants, there would indeed be a challenge for the Administration to reduce costs and stay within budget. In this context, the Board has indicated in this report that the Administration had not

produced evidence that the value engineering programme introduced a few years back has generated any significant savings.

Lastly, it has to be noted that the Administration, in document A/65/296, of 13 August 2010, considered that, of the 20 recommendations issued this year, 14 had already been implemented while six were under implementation, as against seven and one, respectively, for 2008.

Distinguished members, as you are aware, our British colleagues have taken over from the French. They are currently involved in the task of analysing the new and rapidly changing situation of the capital master plan and will be compiling the Board's report for 2010 to be presented to the General Assembly in the fall of this year. An integral part of this task relates to the tracking of the status of implementation of the Board's recommendations.

Mr. Chairman, distinguished members, this is a brief introduction of the report of the Board of Auditors on the capital master plan.

My Colleague, Mr. Olivier Myard, from the French Court of Accounts, who was the lead auditor for the capital master plan until June 2010, is with us this week, and will be happy to assist in answering any questions that you wish to ask at the informal session.

Liu YU

Director of External Audit (China) &
Chairman of the Audit Operations Committee

8 March 2011