



**United Nations**

# **Report of the Board of Auditors**

**for the year ended 31 December 2006**

**Volume V**  
**Capital master plan**

**General Assembly**  
**Official Records**  
**Sixty-second Session**  
**Supplement No. 5 (A/62/5 (Vol. V))**

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*Note*

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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## Report of the Board of Auditors on the capital master plan for the year ended 31 December 2006

### *Summary*

The Board of Auditors has reviewed the financial transactions and programme management of the United Nations capital master plan for the period from 1 January to 31 December 2006. The Board also audited statement IX of the interim financial statements of the United Nations as it relates to the capital master plan project for the same period.

### *Implementation of previous recommendations*

The Board reviewed the actions taken under the capital master plan to implement the five recommendations made by the Board in its report for the financial year ended 31 December 2005.<sup>a</sup> Three recommendations had been implemented, while two were under implementation, as shown in the annex to the present report.

### *Project management, planning and delays*

The implementation of the capital master plan has been delayed by about a year in respect of the schedule included in the last progress report provided to the General Assembly. A range of events account for that delay, including the time taken by the General Assembly to reach a decision on the project, the addition to the project of new options that increased its complexity, the inadequate planning schedule and the vacancy of the Executive Director position since June 2006. The delay and changes resulted in a projected cost increase of at least \$95 million over the budget approved by the Assembly in December 2006. Other cost increases identified during the design development phase amounted to \$53 million, leading to an overall estimated overrun of at least \$148 million, or 7.9 per cent of the overall budget established by approval of the General Assembly in its resolution A/61/251. The Administration has advised that this preliminary estimate would be subject to further revision based on the evolving schedule of works.

### *Anticipation and reduction of risks*

A draft risk-assessment study prepared by the programme management firm underscored the fact that some technical surveys and decisions were lacking in March 2007, such as surveys of the soil under the building and studies on the impact of blast-resistance provisions on the façade design.

### *Human resources*

The human resources of the project were insufficient to manage such a project, due to the slow pace of filling vacancies. The vacancy rate was 21 per cent as at 15 March 2007; in the three years leading up to that date, an Executive Director had been heading the project for only 10 months, from September 2005 to June 2006. Although the Procurement Service had dedicated three full-time Professionals to the capital master plan project, the Facilities Management Service of the Office of Central Support Services, Department of Management, had yet to adapt its resources to the needs of the project.

Finally, the Board is concerned with the financial implications resulting from the delays in implementation of the project.

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<sup>a</sup> *Official Records of the General Assembly, Sixty-first Session, Supplement No. 5 (A/61/5), vol. V.*

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## Letter of transmittal

29 June 2007

I have the honour to transmit to you the report of the Board of Auditors on the capital master plan for the year ended 31 December 2006.

*(Signed)* Philippe **Séguin**  
First President of the Court of Accounts of France  
Chairman, United Nations Board of Auditors

The President of the General Assembly  
New York



## A. Introduction

1. The capital master plan, which was established in 2001 pursuant to General Assembly resolution 55/238, encompasses all expenditures relating to the major refurbishment of the United Nations Headquarters complex in New York. It was initially financed through an appropriation from the United Nations regular budget. The General Assembly, in section II, paragraph 24, of its resolution 57/292, established a special account for the capital master plan. Subsequently, appropriations were made to the special account from assessments on Member States. The financial position of the capital master plan is reported as part of statement IX, United Nations capital assets and construction in progress, of the financial statements of the United Nations. Any unexpended balances of appropriations are carried forward into the succeeding bienniums until the project is completed.

2. The Board of Auditors has audited the financial transactions of the capital master plan and has reviewed its programme management for the period from 1 January to 31 December 2006. The accounts of the capital master plan are included in the financial statements of the United Nations. The Board will issue an opinion on those statements for the biennium ending 31 December 2007. The audit was conducted, as requested by the General Assembly in its resolution 57/292, to initiate oversight activities with respect to the development and implementation of the capital master plan and to report annually thereon to the Assembly. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto, the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing.

3. The audit was based on the following broad audit objectives, mentioned by the Board in paragraph 2 of its first report on the capital master plan (A/58/321):

(a) To examine the capital master plan financial statements, including an evaluation of project accounting, payment and reporting systems;

(b) To ascertain compliance with United Nations regulations and rules on procurement and contracting;

(c) To determine adherence to the terms of the contracts, such as deliverables, time and significant provisions;

(d) To review the controls, including internal audit, and processes established to properly manage the project.

4. The Board assessed the progress made in the overall implementation of the capital master plan since its previous audit<sup>1</sup> and the identification and management of the risks associated with the project.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

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<sup>1</sup> *Official Records of the General Assembly, Sixty-first Session, Supplement No. 5 (A/61/5)*, vol. V.

6. A summary of the Board's main recommendations is contained in paragraph 10 below. The detailed findings and recommendations are discussed in paragraphs 18 to 68.

### **1. Previous recommendations not fully implemented**

7. In accordance with General Assembly resolution 48/216 B, the Board reviewed the measures taken by the Administration to implement the recommendations it had made.

#### *Period ended 31 December 2005*

8. The Board reviewed the measures taken by the Administration to implement the five recommendations made in its report for the year ended 31 December 2005.<sup>1</sup> The review showed that two recommendations were still under implementation.

#### *Ageing of previous recommendations*

9. As requested by the Advisory Committee on Administrative and Budgetary Questions (A/60/387, para. 12), the Board evaluated the ageing of its previous recommendations that had not yet been fully implemented. One of the two recommendations that had not yet been fully implemented relates to the financial period ending 31 December 2004, the period in which it was first made (see annex).

### **2. Main recommendations**

#### **10. The Administration agreed with the Board's recommendation that it:**

(a) Consider bringing preparatory work forward to make up for delays, initiate deferred technical studies and establish the security rules that will apply to the project and the worksite (paras. 47 and 56);

(b) Adopt a procedure for deciding on staff movements (para. 62);

(c) Expedite the recruitment of an Executive Director and give high priority to filling the vacancies still remaining in the Office (paras. 64 and 67).

### **3. Background**

11. The Board recalls that the original capital master plan was proposed by the Secretary-General in 2000 (see A/55/117) to remedy the deficiencies of the United Nations Headquarters complex in New York in a comprehensive, systematic and cost-efficient manner. It was to be a six-year plan with an estimated cost of \$964 million, consisting of the baseline scope estimate of \$902 million and an estimated cost for leasing swing space of \$62 million, and based on an assumption that construction would commence on 1 January 2003.

12. The General Assembly, in section IV of its resolution 55/238, authorized the Secretary-General to proceed with the preparation of a comprehensive design plan and detailed cost analysis for the capital master plan. By August 2002, the Secretary-General had provided detailed information on the outcome of the capital master plan study, including viable alternatives and approaches (see A/57/285 and Corr.1). Two possible approaches to implementing the major refurbishment work were mentioned. The first approach was to vacate as much of the site as possible and perform the work as quickly as possible. The second approach was to perform

the work in smaller increments and relocate staff and functions as needed so that refurbishment could be completed in a given number of floors at a time in each building.

13. In the same report, the Secretary-General submitted a context diagram that provided for a design phase lasting from early 2001 to 2004, with construction ending in 2010.

14. In its resolution 57/292 the General Assembly decided to implement the capital master plan on the basis of the baseline scope under the first approach, with a projected construction budget of \$1,049 million, a proposed construction start date of October 2004 and a construction duration of five years.

15. Most of the major studies were completed in 2003 and 2004, but because the preliminary phases of the construction of the proposed UNDC-5 swing space building had not been undertaken, and because of unanticipated cost increases, the Secretary-General proposed four strategies in his report of 11 November 2005 (A/60/550 and Corr.1 and 2), which are summarized in table 1. The Administration recommended and the General Assembly adopted strategy IV.

Table 1  
**Proposals for the implementation of the capital master plan**

<i>Strategy</i>	<i>Cost estimate (millions of United States dollars)</i>	<i>Start date</i>	<i>Projected completion date</i>
<b>Strategy I</b> , one phase, full scope	1 552.8	2007	Last quarter of 2011
<b>Strategy II</b> , one phase, reduced scope	1 200.0	2007	Last quarter of 2011
<b>Strategy III</b> , new office building, phasing General Assembly/conference buildings, deferring renovation of the Secretariat building	1 584.5	2007	Early 2013
<b>Strategy IV</b> , phased approach	1 587.8	2007	Early 2014

16. A search was therefore made in the commercial real estate market for new swing space to replace the proposed UNDC-5 building. Contracts for the design had to be adapted to the new situation, resulting in additional design costs of \$0.997 million and the rescheduling of the completion of the design plans from September 2005 to March 2006.

17. In its resolution 61/251, the General Assembly decided to approve the time frame for completion from 2006 to 2014 of the capital master plan and the cost ceiling of \$1,876.7 million, thus clearing the way for the post-design phases to begin.

## **B. Detailed findings and recommendations**

### **1. Financial overview**

18. The General Assembly, in its resolution 55/238, initially appropriated an amount of \$8 million from the programme budget for the biennium 2000-2001 for

the preparation of a comprehensive design plan and cost analysis for the capital master plan. By its resolution 57/292, the Assembly established a special account for the capital master plan and appropriated \$25.5 million to the account for the biennium 2002-2003 for the design and related project management and management of pre-construction services. By its resolution 59/295, the Assembly converted \$17.8 million of the existing commitment authority for the biennium 2004-2005 into an appropriation to permit work to continue on design and project management services and on the management of pre-construction activities. By its resolution 60/248, the Assembly appropriated an amount of \$8.2 million, which was assessed in 2006.

19. By its resolution 60/256, the General Assembly appropriated an amount of \$23.5 million with assessment for 2006 for financing the design and pre-construction phases of the capital master plan, including swing space requirements. The Assembly also authorized the Secretary-General to enter into commitments of up to \$77 million for the biennium 2006-2007 to provide for the construction, fit-out and related requirements for a conference swing space building on the North Lawn and for the leasing, design, pre-construction services, fit-out and related requirements for library and office swing space for the capital master plan. In its resolution 60/282, the Assembly decided to convert the commitment authority of \$77 million into an appropriation and approved the recommended strategy, strategy IV, for the implementation of the capital master plan. As mentioned above, the overall funding up to the cost ceiling of \$1,876.7 million was approved by the Assembly on 22 December 2006.

20. As at 31 December 2006, total expenditures committed or incurred for the capital master plan amounted to \$69 million, of which \$32.5 million had been expended by the end of the biennium 2004-2005, while for 2006, \$28.8 million in commitments and \$7.7 million in disbursements had been made. Expenditures in 2006 represented a more than fivefold increase over the \$6.5 million in expenditures in 2005. That increase was due to the deferment of the start of pre-construction services for most of the contracts from 2005 to 2006.

21. Detailed information on the budget performance of the capital master plan for the year ended 31 December 2006 is contained in table 2.

Table 2  
Expenditures for the capital master plan

Object of expenditure	2006 expenditure forecast	Expenditure		Percentage of expenditure	
		2005	2006	2005	2006
		<i>(thousands of United States dollars)</i>			
Staff and other personnel costs	Not available	1 938	2 096	29.8	5.7
Travel	Not available	3	11	0.0	0.0
Contractual services	Not available	4 096	33 861	62.9	92.7
Operating expenses	Not available	452	545	6.9	1.5
Acquisitions	Not available	25	13	0.4	0.0
<b>Total</b>	<b>126 900<sup>a</sup></b>	<b>6 514</b>	<b>36 526</b>	<b>100.0</b>	<b>100.0</b>

<sup>a</sup> As per A/60/550, table 3.

22. As in the past, the bulk of the expenditures pertained to contractual services and, to a lesser extent, staff and other personnel costs.

23. The expenditure of \$36.5 million for 2006 represented 65 per cent of the \$55.8 million projected by the Secretary-General in his fourth annual progress on the capital master plan report (A/61/549, para. 46). The low level of expenditure could be attributed to the deferment of the expenditures initially planned in 2006, notably the lease of swing space (\$12.5 million) and the fees of the construction manager (estimated at \$2 million). Those expenditures were deferred, pending the decision of the General Assembly on the overall financing of the project, which was taken on 22 December 2006.<sup>2</sup>

24. In his fourth annual progress report, the Secretary-General informed the General Assembly of the cost estimates for 2007, amounting to \$113.6 million, with the biggest items of expenditure being the swing spaces (\$100.2 million), contractual design services (\$4.5 million) and programme management and consultants (\$4.0 million).

#### Information contained in the financial statements

25. The biennial financial statements of the United Nations now contain a body of information relating to the capital master plan. Statement IX, which sets out the statement of income and expenditure for capital assets and construction in progress, includes a column dedicated to the capital master plan. That statement is supplemented by schedule 9.1, which sets out construction-in-progress expenditures and dedicates one section to the capital master plan. Note 9 to the financial statements provides additional information on accounting methods.<sup>3</sup>

<sup>2</sup> See resolution 61/251.

<sup>3</sup> See, for the biennium 2004-2005, *Official Records of the General Assembly, Sixty-first Session, Supplement No. 5 (A/61/5)*, vol. I.

26. In accordance with the United Nations system accounting standards,<sup>4</sup> financial information pertaining to construction extending over more than one financial period must be disclosed in a separate account. That has been the case for the capital master plan since the General Assembly decided in its resolution 57/292 to create a special account. Furthermore, schedule 9.1 of the financial statements classifies expenditures associated with the capital master plan in six categories.<sup>5</sup>

*Recording of construction cost under the International Public Sector Accounting Standards*

27. The categories of expenditure provide a detailed description of the current phase of the capital master plan. During the design development phase, most expenditures are for contractual services. The remaining expenditures are related mainly to staff costs and operating expenses.

28. The current accounting is to incorporate capital expenditures as well as expenditures on rentals and fit-out of swing space into the current “contractual services” or “operating expenses” categories. After the implementation of the International Public Sector Accounting Standards in 2010, in the recorded expenditures it will be necessary to distinguish between operating expenses and costs to be capitalized.

**29. The Board recommends that the Office of the Capital Master Plan implement measures to record capitalized costs as distinct from operating costs.**

**Funding**

30. In its resolution 61/251, the General Assembly decided that the capital master plan would be funded through a combination of one-time and five-year assessments from Member States, with each State selecting its preferred option. Each Member State was to make its choice by 5 March 2007; those Member States failing to express a preference would be placed on the multi-year assessment plan.

31. As at 15 March 2007, eight Member States<sup>6</sup> had made a one-time payment of their assessed contributions for the capital master plan. Fifty-one Member States had paid their assessments, which totalled \$109.56 million, or 17 per cent of the total cost approved by the General Assembly.

32. Also in its resolution 61/251, the General Assembly approved the establishment of a working capital reserve of \$45 million under the capital master plan account, to be operated under the terms of financial regulations 3.5, 4.2 and 4.3. It also approved the establishment of a letter-of-credit facility by means of a bidding process. Any drawdown on the letter of credit should be a last resort and solely for the purpose of funding the capital master plan. The Assembly requested

<sup>4</sup> In particular paragraph 51 of the accounting standards: “The costs incurred during construction or major long-term acquisitions which extend over more than one financial period should be accumulated and disclosed in a separate account. The sources of financing of the operation should be disclosed separately. On completion the construction or acquisition should be brought to account at final cost, and any remaining liability for the financing thereof should be separately shown.”

<sup>5</sup> Staff and other personnel costs; travel; contractual services; operating expenses; acquisitions; other.

<sup>6</sup> Albania, Botswana, Brunei Darussalam, Madagascar, Nigeria, Ukraine, Uruguay and Zimbabwe.

the Secretary-General to enter into consultations with the host country Government regarding the possibility of facilitating the establishment of a letter of credit without the imposition of fees or charges.

33. The Board of Auditors has recommended that the Secretary-General consider establishing the planned advisory board to advise him on financial matters in respect of the capital master plan.<sup>7</sup> The Secretary-General has initiated the process of establishing that board, and meetings have been held with potential candidates for the position of Chairman, but, as of 2005, all had declined to serve. However, in 2007, at the time of reporting, a draft mandate was being prepared.

**34. The Administration agreed with the Board's recommendation to finalize the establishment of the advisory board.**

## **2. Write-off of losses of cash, receivables and property**

35. In line with financial regulation 6.4, the Administration informed the Board that no cash, receivables or non-expendable property pertaining to the capital master plan had been written off during the year ended 31 December 2006.

## **3. Ex gratia payments**

36. The Administration informed the Board, in line with financial regulation 5.11, that no ex gratia payments had been charged against the capital master plan during the year ended 31 December 2006.

## **4. Programme management**

### **Administrative management of design contracts**

37. The Board reviewed the administrative management procedures for contracts concluded by the Office of the Capital Master Plan. The review did not include the contract between the Organization and the construction manager, which was still under negotiation at the time of the audit.

38. In accordance with the United Nations Procurement Manual, the Office of the Capital Master Plan and the Procurement Service are to cooperate in matters pertaining to the conclusion and negotiation of contracts or amendments thereto. The Office and the Service hold weekly coordination meetings on that issue. The Office of the Capital Master Plan is responsible for contract management.

39. The Board reviewed 16 amendments, dating from 2006, to two of the most significant contracts in order to verify the compliance of the contracts and amendments pertaining to the design phase with relevant regulations and rules. The Board audited 77 items of expenditure relating to contract costs committed or disbursed in 2006 other than those audited by the Office of Internal Oversight

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<sup>7</sup> See *Official Records of the General Assembly, Sixty-first Session, Supplement No. 5 (A/61/5)*, vol. V, para. 38.

Services. The audit involved a total of \$37.0 million, or 92 per cent of gross expenditure<sup>8</sup> for contractual services in 2006.

40. No significant departures, either systematic or accidental, from the regulations and rules set out in the Procurement Manual were identified during the audit. The Board's previous recommendation on this subject<sup>9</sup> may thus be regarded as implemented.

#### **Project management, planning and risks of delay**

41. Since the approval of strategy IV by the General Assembly, the design studies have been completed and the preparation of the construction documents began in August 2006. On 30 October 2006, the Secretary-General set out an anticipated schedule for the project, which included the following major phases: construction of the temporary conference building, due to be completed by mid-2008; renovation of the Secretariat building, due to begin in early 2008 following the relocation of some staff to rented and fitted-out premises and to be completed in late 2013; and renovation of the General Assembly building from mid-2008 to early 2011.<sup>10</sup> The entire project was due to be completed by early 2014. The Secretary-General also suggested adding scope options, relating to additional blast protection and various redundancy, contingency and security measures, to the project. Those options were estimated at \$230.4 million. When it approved the plan, the Assembly invited the Secretary-General to inform it of any risk of cost escalation.

42. The capital master plan is a complex project involving the refurbishment of over 250,000 square metres; a building that has not undergone major work for 60 years; a phased implementation because the premises will remain occupied during the renovation work; serious security constraints; and significant aspirations in terms of architectural quality. The Executive Director for the Capital Master Plan took up his post in September 2005, 19 months after the departure of the previous incumbent. He resigned from his post on 30 June 2006. The project was thus devoid of an Executive Director for 26 months in the three years leading up to 15 March 2007.

43. Upon leaving, the former Executive Director stated that his departure was due primarily to the difficulty of discharging his responsibilities within the framework of the Organization's procedures and decision-making processes.<sup>11</sup>

44. As at 1 April 2007, project implementation was lagging behind the schedule that had been submitted to the General Assembly on 30 October 2006.<sup>12</sup> A comparison of the detailed schedule dated 22 June 2006 and that dated 28 February 2007 reveals a number of critical delays. The selection of the construction manager, initially planned for 27 November 2006, was deferred to 11 April 2007. The

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<sup>8</sup> Gross expenditure for contractual services in 2006 includes commitment authorities and disbursements, including amounts disbursed for commitments entered into before 2005 (which have been subtracted to obtain the net expenditures listed in the financial statements). Total expenditure for contractual services in 2006 amounts to \$40.321 million gross.

<sup>9</sup> *Official Records of the General Assembly, Sixty-first Session, Supplement No. 5 (A/61/5)*, vol. V, para. 40.

<sup>10</sup> See A/61/549.

<sup>11</sup> DM News, Second Edition 2006, "Capital Master Plan — Dream & Reality, an interview with Louis F. Reuter IV", available at [http://iseek.un.org/webpgdept10\\_42.asp](http://iseek.un.org/webpgdept10_42.asp).

<sup>12</sup> See A/61/549.

decision on the guaranteed maximum price was deferred from February 2008 to March 2009. Infrastructure construction work, which was due to start in February 2008, has been deferred to March 2009, and construction work on the General Assembly building and the Secretariat building from July 2008 to May 2009 and from January 2008 to January 2009, respectively. The rental of swing space has been deferred from November 2006 to late in the first half of 2007, and the start of the fitting-out phase from March 2007 to late 2007. Completion of the work on the South Annex building was scheduled for March 2015. These delays were in addition to those highlighted in the Board's two previous reports.<sup>13</sup>

**45. The Administration agreed with the Board's recommendation that schedules prepared by the Office of the Capital Master Plan set out in sufficient detail the steps involved in the Organization's decision-making processes and allocate realistic time frames for those steps.**

46. The delays highlighted and the need to secure at short notice (by May 2008) swing space fitted out for the move should prompt the Office of the Capital Master Plan to begin its preparatory work. At the time of the audit, the Board noted that the swing space to be rented would be unutilized for over six months.

**47. The Administration agreed with the Board's recommendation that the Office of the Capital Master Plan undertake steps to optimize the use of swing space.**

48. The monthly report of the programme management firm for the period ending 28 February 2007 provided an initial estimate of the cost overrun. The details of the variations between the budget approved by the General Assembly and the latest available cost estimate are presented in table 3.

Table 3  
**Comparison between the budget approved by the General Assembly and the 28 February 2007 cost estimate**

	<i>Resolution 61/251</i>	<i>February 2007 report</i>	<i>Variance</i>	<i>Percentage variance</i>
	<i>(millions of United States dollars)</i>			
Renovation costs	1 431.8	1 484.4	52.9	3.7
Swing space	214.5	214.7	0.2	0.1
Options	230.4	230.4	—	—
<b>Subtotal</b>	<b>1 876.7</b>	<b>1 929.8</b>	<b>53.1</b>	<b>2.8</b>
Revision and schedule slippage (low estimate)	—	95.0	95.0	—
Revision and schedule slippage (high estimate)	—	105.0	105.0	—
<b>Total (low estimate)</b>	<b>1 876.7</b>	<b>1 971.7</b>	<b>148.1</b>	<b>7.9</b>
<b>Total (high estimate)</b>	<b>1 876.7</b>	<b>1 981.7</b>	<b>158.1</b>	<b>8.4</b>

<sup>13</sup> *Official Records of the General Assembly, Sixtieth Session, Supplement No. 5 (A/60/5), vol. V, and ibid., Sixty-first Session, Supplement No. 5 (A/61/5), vol. V.*

49. The total cost of the project was estimated at between \$1,971.7 and \$1,981.7 million, an increase of \$148.1 to \$158.1 million over the amount budgeted on 30 October 2006 and approved by the General Assembly (an overrun of between 7.9 and 8.4 per cent). About a third of the estimated cost overrun (\$53.1 million) was attributable to revisions in the costs of materials or trade costs, whereas two thirds (\$95 million to \$105 million) was explained by the delayed schedule. These increases exceeded the commitment authority granted by the Assembly.

**50. The Administration agreed with the Board's recommendation to examine the impact of delays in the schedule on the project's budget and propose measures to reduce that impact.**

#### **Anticipation and management of risks**

51. The programme management firm has prepared a draft risk assessment. The assessment is in keeping with good practice and is particularly useful at this stage of the project. The draft describes the risks associated with the project, one of the most significant of which is the absence of geotechnical and exploratory surveys of the structures and materials of the existing buildings. Studies on blast effect, in particular, were still at too early a stage — particularly with regard to structural strengthening and the need for custom-made glazing — to know whether or not changes would need to be made to the construction documents that had already been prepared.

52. The specification of the curtain wall (glazing specifications for the facade) was delayed due to the absence of comprehensive studies on blast protection. This might jeopardize the timely delivery of the construction documents, and is also a key element for the architectural and aesthetic quality of the building. The Office of the Capital Master Plan proposed to give the advisory board currently being set up competence in architectural matters so that due consideration could be given to the architectural quality of the project as a whole, which will have an impact on the image of the United Nations. Although the implementation of this proposal would mitigate the risk of inappropriate decisions on the appearance of the curtain wall, it would not compensate for the absence of detailed studies on blast protection.

53. The lack of geotechnical surveys was risky at this late stage in the design of a major construction project and was attributable to the procedural difficulties encountered in a number of United Nations departments. The Office of the Capital Master Plan had initially proposed to have tests carried out on the subsoil and North Lawn under the responsibility of and by a contractor that was already involved in the design development phase.

54. In October 2005, when the bidding and selection processes had been completed and the contract was being drawn up, the Office of Programme Planning, Budget and Accounts required the contractor to take out insurance. The contractor was unwilling to do so. The alternative solution studied by the Office of the Capital Master Plan encountered problems, as the choice of suppliers was not approved by the Headquarters Committee on Contracts.

55. Without test results, there is a risk that the building's foundations and structures may need strengthening or inspecting, which may cause additional costs and delays.

**56. The Administration agreed with the Board's recommendation to initiate geotechnical and exploratory surveys of the structure and materials of the existing buildings.**

57. As evidenced in the 22 January 2007 report on the City of New York fire and safety inspections of the United Nations Headquarters district, the existing buildings do not meet the fire and safety standards in force in the State of New York, owing, in particular, to the lack of sprinklers, smoke detectors and systems for shutting down ventilation equipment in the event of a fire. Even though the United Nations complex is not legally bound by host country regulations, the Organization observes those regulations voluntarily. The Administration was in contact with its New York counterparts to decide on transitional measures aimed at upgrading the fire detection systems in the Headquarters complex pending completion of the renovation work, which will include the installation of a full sprinkler system. Execution of the renovation work as early as possible would therefore address the problem.

**58. The Board reiterates its recommendation that the Administration comply with the relevant rules of the host country on safety standards and upgrade the equipment in the current building accordingly.**

59. Another risk for the Organization is that the temporary conference building, which was presented in the Secretary-General's fourth annual progress report (A/61/549) as one that could be disassembled, might be perceived as a traditional building, thereby giving rise to doubts as to whether it would really be dismantled upon completion of the project. This could prove to be a sensitive issue (in particular, but not exclusively, with the host authorities), and a specific reiteration of the option selected was therefore needed.

**60. The Administration agreed with the Board's recommendation to ensure that the option selected by the General Assembly, that of a temporary conference building that can be dismantled, is implemented.**

61. A major risk of the phased approach of strategy IV would be the need to vacate the Secretariat and Library buildings so that the renovation work can proceed. This will require both the relocation of some departments to swing space and movements within the Headquarters complex itself. The corresponding decisions were fraught with operational challenges. On 26 July 2006, the Under-Secretary-General responsible for the capital master plan requested the Deputy Secretary-General to make a final determination on this issue. The Management Committee discussed the issue at its meeting of 29 November 2006 and chose not to take a decision on the matter, requesting instead that interdepartmental consultations continue into the first quarter of 2007. A clear procedure that takes account of the specific issues arising from the Secretariat's division into departments was therefore needed to define without delay the modalities of consultation and decision-making.

**62. The Administration agreed with the Board's recommendation to adopt an appropriate procedure for deciding on staff movements during the construction phase.**

#### **Human resources responsible for implementing the capital master plan**

63. One of the principal risks cited in the study by the programme management firm is the lack of commitment to the project on the part of all United Nations departments and, in consequence, their insufficient responsiveness. The Board

identified the following underlying causes of this risk: the study considered that the project has remained an abstraction in the minds of many because it has been in the pipeline for so long; because the proposed UNDC-5 swing space solution, which was the assumption underlying the studies conducted in the first four years, had to be abandoned; because the position of Executive Director was vacant for such a long time; and because the General Assembly has taken some time to adopt an alternative solution.

**64. The Administration agreed with the Board's recommendation that it expedite the recruitment of an Executive Director.**

65. Nineteen posts have been approved for the Office of the Capital Master Plan. As at 15 March 2007, 15 of those posts were encumbered, leaving a vacancy rate of 21 per cent. The four vacant posts, apart from the post of Executive Director, included the Executive Director's personal assistant, who could not be recruited until the Executive Director himself/herself had been selected. The other vacant posts were for an engineer, a finance officer to assist the Chief of the Administration and Communications Unit and a General Service staff member.

66. With regard to the strengthening of the capital master plan teams in the Procurement Service by dedicating three full-time staff members to the project, it was noted that one Professional was in place at the time of the audit and two more (1 P-4 and 1 P-3) had joined the office in April 2007.

**67. The Administration agreed with the Board's recommendation to expedite the recruitment of staff for the Office of the Capital Master Plan.**

**5. Cases of fraud and presumptive fraud**

68. The Administration informed the Board that there were no cases of fraud or presumptive fraud during the year ended 31 December 2006.

**C. Acknowledgement**

69. The Board expresses its appreciation to the staff of the Office of the Capital Master Plan, the Office of Programme Planning, Budget and Accounts and the Office of Central Support Services for their cooperation and assistance during the course of the audit.

*(Signed)* Philippe **Séguin**  
First President of the Court of Accounts of France  
(Chairman, United Nations Board of Auditors, Lead Auditor)

*(Signed)* Terence **Nombembe**  
Auditor-General of the Republic of South Africa

*(Signed)* Guillermo N. **Carague**  
Chairman, Philippine Commission on Audit

29 June 2007

*Note:* The Philippine and the South African members of the Board of Auditors have signed only the English version of the report; the French member of the Board has signed the English and the French versions.

## Annex

### Status of implementation of recommendations for the year ended 31 December 2005

<i>Topic</i>	<i>Year first reported</i>	<i>Implemented<sup>a</sup></i>	<i>Under implementation<sup>a</sup></i>	<i>Not implemented</i>	<i>Total</i>	<i>Relevant paragraphs in the present report</i>
Urging the General Assembly to take strategic and financial decisions	2005	Para. 36				Para. 19
Conformity of contract amendments with the Procurement Manual	2005	Para. 40				Paras. 39-40
Monitoring of the submission of contract deliverables	2005		Para. 45			Paras. 41-56
Frequency of coordination with the programme management firm	2005	Para. 48				
Establishment of the advisory board	2004		Para. 38			Paras. 33-34
<b>Total</b>		<b>3</b>	<b>2</b>	<b>0</b>	<b>5</b>	
<b>Percentage</b>		<b>60</b>	<b>40</b>	<b>0</b>	<b>100</b>	

<sup>a</sup> See *Official Records of the General Assembly, Sixty-first Session, Supplement No. 5 (A/61/5)*, vol. V.

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