



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of Executive Management Practices in Department of Management

25 March 2008

Assignment No. AH2007/510/02

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE

TO: Ms. Alicia Bárcena, Under-Secretary-General

DATE: 25 March 2008

A: Department of Management

REFERENCE: IAD: 08- *01142*


FROM: Dagfinn Knutsen, Director
DE: Internal Audit Division, OIOS

SUBJECT: **Assignment No. AH2007/510/02 – Audit of Executive Management Practices in the Department of Management**
OBJET: **of Management**

1. I am pleased to present the report on the above-mentioned audit.
2. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Your response indicated that you did not accept recommendations no. 1, 3, 5, 6, 7, 8, 9 and 10. In OIOS' opinion however, these recommendations seek to address significant risk areas. We are therefore reiterating them and request that you reconsider your initial response concerning these recommendations based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as critical (i.e., recommendations 1, 2, 6, 7, 8, 9 and 10) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Asha-Rose Migiro, Deputy Secretary-General
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Jonathan Childerley, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. William Petersen, Chief, New York Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).

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EXECUTIVE SUMMARY

Audit of Executive Management Practices in the Department of Management

OIOS conducted an audit of Executive Management Practices in the Department of Management, focusing on the actions of the Under-Secretary-General for Management in the areas of delegation of authority, human resources, promotion of ethical values and priority setting. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The executive management practices of the Under-Secretary-General for Management, who has fiduciary responsibility over the Organization's resources, are a critical element of the United Nations Secretariat's control environment. A positive control environment is one where leaders, by example, exhibit the expected ethical tone; staff members clearly understand which behaviour is acceptable and unacceptable; situations involving pressure to meet unrealistic targets are properly controlled; deviations from established policies and procedures are investigated, documented and resolved; appropriate actions are taken against violations of rules; incompatible duties are segregated; and, individuals understand their job responsibilities and the limits to their authority. The control environment will be enhanced by an organizational structure that provides a framework within which activities for achieving entity-wide objectives are planned, executed, controlled and monitored. The control environment is also greatly influenced by the degree to which individuals recognize that they will be accountable.

OIOS found areas where the Under-Secretary-General's and her office's involvement should increase to ensure an adequate control environment. For example, no strategy existed to ensure timely filling of senior level vacancies; a conflict of interest regarding the Controller's duties was not addressed; and no policies were in place to communicate the implementation of disciplinary measures in the Secretariat in order to promote ethical values.

The Under-Secretary-General for Management is responsible for a number of significant reforms and major projects in the United Nations Secretariat. Considering the delays of certain reforms, their implementation by expected deadlines may not be met. This may create undue pressure on managers and could result in superficial implementation of the reforms.

In the area of human resources management in the Department of Management, OIOS was concerned that the process used to temporarily fill the Director post in the Office of the Under-Secretary-General was not conducted in full compliance with established procedures.

OIOS made 10 recommendations to strengthen executive management practices in the Department of Management. *The Department of Management accepted only two recommendations.*

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of executive management practices in the Department of Management (DM). This audit focused on the actions of the Under-Secretary-General and her office to create an appropriate control environment within the Department. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The Secretary-General's bulletin ST/SGB/2005/8 on the "Organization of the Department of Management" states that the Under-Secretary-General for Management is responsible for formulating the policies for managing the Organization's financial, human and physical resources. The Under-Secretary-General for Management provides policy guidance, coordination and direction on management reform issues to Secretariat programme managers as well as guidance and management oversight concerning the implementation of the Capital Master Plan (CMP) project. The Under-Secretary-General's responsibility for the Organization's internal system for the administration of justice was transferred to the Deputy Secretary-General in September 2007.
3. An organization's leaders are expected to "set the tone" through their actions, or executive management practices, which impact the environment in which staff members carry out their responsibilities. The executive management practices of the Under-Secretary-General for Management, who has fiduciary responsibility for the Organization's resources, is a critical element of the Secretariat's control environment.
4. Comments made by DM are shown in *italics*.

II. AUDIT OBJECTIVES

5. The major audit objectives were to assess the effectiveness and compliance with United Nations legislative mandates, rules and established procedures of the Under-Secretary-General for Management's actions with regard to :
 - (a) Delegation of authority, assignment of responsibility and human resource practices;
 - (b) Promotion of ethical values and safeguarding of the Organization's resources; and
 - (c) Priority setting and decision making.
-

III. AUDIT SCOPE AND METHODOLOGY

6. OIOS examined the actions of the Under-Secretary-General for Management during the period 2006-2007, focusing on the tenure of the current Under-Secretary-General from January to July 2007.

7. OIOS used the COSO internal control model as the basis for this audit. A positive control environment is one where leaders, by example, exhibit the expected ethical tone; staff members clearly understand which behaviour is acceptable and unacceptable; situations involving pressure to meet unrealistic targets are properly controlled; deviations from established policies and procedures are investigated, documented and resolved; appropriate actions are taken against violations of rules; incompatible duties are segregated; and individuals understand their job responsibilities and the limits to their authority. The control environment will be enhanced by an organizational structure that provides a framework within which activities for achieving entity-wide objectives are planned, executed, controlled and monitored. Overall, the control environment is greatly influenced by the degree to which individuals recognize that they will be accountable. The internal control environment is also the basis for the successful implementation of other controls.

8. The audit included interviews with the Under-Secretary-General and key senior and middle level staff in DM, and a review of relevant documentation.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Delegation of authority, assignment of responsibility and human resources practices

Authority and responsibility of the Under-Secretary-General for Management

9. The establishment of clear lines of authority and responsibility is essential in enabling individuals to address issues and solve problems within the limits of their authority.

10. OIOS recently audited DM's management of the delegation of authority in the Secretariat and found that the Under-Secretary-General for Management's jurisdiction was not always clearly delineated in administrative rules and instructions. While specific OIOS recommendations to DM to improve the Secretariat's delegation of authority system are included in a separate report¹, OIOS reiterates as part of this audit that the lack of clear lines of authority and responsibility constitutes an inherent weakness in the Under-Secretary-General for Management's ability to discharge his/her responsibilities, which should be addressed as a matter of priority. The Under-Secretary-General indicated that, at the time of this report, the Department was engaged in a review, which included

¹ Draft report of 3 July 2007 on Audit of Management of Delegation of Authority, (AH2007/510/01)

an assessment of the Organization's current policies and practices with respect to accountability and delegation of authority.

11. OIOS specifically queried whether the roles of the Deputy Secretary-General and Under-Secretary-General for Management were sufficiently distinguished with regard to the management of organizational resources. The Under-Secretary-General for Management informed OIOS that an attempt had been made to define the respective roles of the Deputy Secretary-General and the Under-Secretary-General for Management, but she did not provide any supporting documentation for such an attempt. According to General Assembly resolution 52/12B, the Deputy Secretary-General's role is to assist the Secretary-General in managing the operations of the Secretariat. The Secretary-General's bulletin ST/SGB/2005/8 states that the Under-Secretary-General for Management is responsible for formulating the Organization's management policies and has overall responsibility for managing the financial, human and physical resources of the Organization. In OIOS' view, GA resolution 52/12B and ST/SGB/2005/8 read together leave room for duplication and overlap between the Deputy Secretary-General and Under-Secretary-General for Management, with resulting risks of loss of accountability and effectiveness.

Recommendation 1

(1) Based on General Assembly resolution 52/12B and ST/SGB/2005/8, the Under-Secretary-General for Management should obtain further clarification on the respective functions of the Deputy Secretary-General and the Under-Secretary-General for Management with regard to the management of the Secretariat.

12. *The Under-Secretary-General for Management did not accept recommendation 1, stating that although the audit indicated that the ST/SGB leaves room for duplication, it did not identify the actual overlap, nor the impact it has on the Under-Secretary-General for Management's ability to manage her operations. Furthermore, refinement of General Assembly resolutions is within the domain of the General Assembly and, as such, cannot be revised by the Under-Secretary-General for Management or the Deputy Secretary-General.*

13. OIOS is of the opinion that although the refinement of the General Assembly resolutions is within the domain of the General Assembly, this does not prevent the Under-Secretary-General for Management from clarifying with the Deputy Secretary-General their respective functions in managing the Secretariat. Clarification on functions of the Under-Secretary-General and Deputy Secretary-General will prevent duplication and consequently impact the workload of Office of Under-Secretary-General for Management (OUSG) as well as the office of Deputy Secretary-General. OIOS therefore reiterates recommendation 1 which remains open pending the receipt of documentation clarifying the functions of the Deputy Secretary-General and the functions of the Under-Secretary-General for Management with regard to managing the Secretariat.

Responsibilities of the Controller

14. The Controller has been overseeing the procurement function since August 2005 in the absence of an Assistant Secretary-General, Office of Central Support Services (OCSS). In the opinion of OIOS, this arrangement was not sustainable considering the broad responsibilities of the Controller. In particular, there is an inherent conflict of interest for the Controller to oversee the OCSS procurement function and the payment function of the Office of Programme Planning, Budget and Accounts (OPPBA) simultaneously. In August 2007, the Under-Secretary-General for Management stated that she has been striving to identify a better arrangement and was committed to proposing a solution to this situation to the Secretary-General as a matter of priority. However, this issue remained unresolved as at the date of this report.

Recommendation 2

(2) The Under-Secretary-General for Management should address the inherent conflict of interest situation created by the Controller's responsibilities over the procurement-related functions of the Office of Central Support Services and the Office of Programme Planning, Budget and Accounts.

15. *The Under-Secretary-General for Management accepted recommendation 2 and stated that this conflict of interest situation could not be rectified until a person has been identified to fill the Assistant-Secretary-General's position. Due to a disciplinary process relating to the previous incumbent, the position became vacant only in November 2007. DM recognizes the importance of this recommendation and is making every effort to expedite this recruitment effort.* Recommendation 2 remains open pending the resolution of conflict of interest situation created by the Controller's responsibilities for overseeing the procurement related functions of the Office of Central Support Services.

Vacancies at the senior level in DM

16. Hiring competent personnel is one of the main requisites of a strong control environment. At the time of the audit, many key positions, such as the Chief Information Technology Officer (CITO), the Executive Director for the Capital Master Plan (CMP) and several Director (D-2) and Principal Officer (D-1) positions in DM had been vacant for extended periods, in some cases for one year or longer. Consequently, the Under-Secretary-General did not have a complete management team to assist her, making the challenges faced by DM more difficult. The appointments of the CITO and Executive Director for the CMP were only finalized in July 2007.

17. The delays in staffing senior positions in the Secretariat negatively impact the implementation of major projects. For example, many key decisions were delayed pending the appointment of the Enterprise Resource Planning

(ERP) Director and the CITO. In February 2007, a consultant had reported to the Under-Secretary-General serious issues in the implementation of ERP, notably the attempt by the ERP team to develop a business plan without having a proper strategy. The consultant made recommendations to address these issues but DM took no follow-up action. In addition, the implementation of ERP was behind schedule by at least six months as a result of the delay in the engagement of another consultant to validate the main functionalities required by the Organization, and to assist the Organization in selecting an ERP system or comparable software solution.

18. The ERP team was first led by a consultant between October 2006 and April 2007. After the consultant left, the Under-Secretary-General in May 2007 temporarily assigned the Director of the Information Technology Service Division (ITSD) to take the lead, pending appointment of the ERP Director. In June 2007, DM advertised a temporary vacancy but the appointment of an ERP Director remains outstanding as of the date of this report. OIOS is of the opinion that the vacancy announcement for the ERP Director was unlikely to attract suitable candidates because it was a temporary position. Furthermore, although the CITO had come onboard in September 2007, the frequent changes in the ERP leadership have and may continue to have an adverse effect on the implementation of the ERP.

19. The Under-Secretary-General for Management indicated that her office has been under unprecedented pressure since she was appointed in January 2007. A number of General Assembly mandated reforms and major projects which fall under her jurisdiction have to be implemented within a specified timeframe. In addition, she was required to learn the functions very quickly, particularly since her decisions have an impact on the operations of DM and on other departments in the Secretariat.

20. Achievement of the mandates set for DM and other Secretariat departments and offices is dependent on the continuing presence of a complete DM management team. OIOS was concerned that the Secretariat had been unable to ensure such a presence at a time when major reforms are ongoing. In OIOS' view, the Under-Secretary-General for Management, under ST/SGB/2005/8, is responsible for designing the policies and procedures that will ensure stability and continuity in senior level positions of the Secretariat.

Recommendation 3

(3) The Under-Secretary-General for Management should initiate a comprehensive review of the recruitment process for senior positions in the Secretariat and develop policies and procedures to ensure that these positions are filled in a timely manner.

21. *The Under-Secretary-General for Management did not accept recommendation 3, stating that approval of senior positions is under the purview of the Senior Review Group (SRG) which is independent from the Office of the Under-Secretary-General for Management and chaired by Mr. Nicolas Michel.*

Furthermore, DM is not a member of the group that approves senior positions for the field.

22. OIOS is unable to accept this response because according to paragraph 3.2 of ST/SGB/2005/8 on “Organization of Department of Management”, the Under-Secretary-General for Management has overall responsibilities for financial, human and physical resources. Therefore, the timeliness of filling vacancies for senior positions in the Secretariat is not solely dependent on the time taken by the SRG but also the timely actions by Office of Human Resources Management (OHRM) in DM in facilitating the recruitment process. For example for D-2 positions, it included taking timely actions by OHRM to assist the Secretary-General to reconstitute the SRG when members of the SRG were separated from service. In 2007, the new SRG was only established in June 2007 although four out of six members of SRG had left between November 2006 and March 2007. Consequently between December 2006 and June 2007, there was no functioning SRG in place to evaluate candidates for vacancies at the D-2 level. Furthermore, as of 11 March 2008², the number of vacancies for senior positions in the Secretariat remained high i.e., 90 vacant positions at D-1 level, 36 vacant positions at D-2 level and 17 vacant positions at Assistant-Secretary-General level. Considering the impact of the vacancies for senior positions on the operations, OIOS reiterates recommendation 3 which will remain open pending receipt of documentation from DM on the policies and procedures established to ensure that senior positions at the Secretariat (D-1 and above) are filled in a timely manner.

Organization of the Office of Under-Secretary-General (OUSG)

23. OIOS is of the opinion that there were more staff directly reporting to the Under-Secretary-General than indicated under the formally established reporting lines in DM, which could result in inefficient use of the Under-Secretary-General’s time. The Under-Secretary-General was the first reporting officer for 12 staff members consisting of one G-6, one P-5, three D-1s, five D-2s and two Assistant Secretaries-General. There has been no Officer-in-Charge for OCSS since August 2005 and the two Directors in OCSS report directly to the Under-Secretary-General. In addition, contrary to established reporting lines, the two D-1s in OUSG and the D-1 in the Executive Office (EO) reported directly to the Under-Secretary-General instead of reporting to the acting Director of OUSG. The large number of staff reporting directly to the Under-Secretary-General also impacted on the number of staff for whom the Under-Secretary-General was the second reporting officer. The Under-Secretary-General was the second reporting officer for 27 staff members consisting of four G-5s, one G-6, one P-2, two P-3s, four P-4s, seven P-5s, and eight D-2s.

² Post incumbency report (Report ID: WPNPOST01) from United Nations Web Integrated Reporting (WIRe) of 11 March 2008.

Recommendation 4

(4) The Under-Secretary-General for Management should realign the reporting lines to reflect the established organization structure of the Department of Management.

24. *The Under-Secretary-General for Management accepted recommendation 4 and stated that her office is in the process of assessing its roles, responsibilities and reporting lines. A new ST/SGB will be issued that will address this recommendation.* Recommendation 4 remains open pending confirmation from the Under-Secretary-General that the reporting lines are in accordance with the formally established reporting lines under the new ST/SGB on the organization structure of DM.

Compliance with human resources management procedures

25. The D-2 post in OUSG became vacant in November 2004. Between November 2004 and July 2007, the two predecessors of the current Under-Secretary-General had each selected an individual to assume the Director function temporarily with a special post allowance (SPA). In both cases, the Under-Secretaries-General did not issue a temporary vacancy announcement for the post contrary to the provisions in paragraph 5.1(e) of ST/AI/1999/17 and paragraph 1b of Annex 1 of ST/AI/2002/4 (or ST/AI/2006/3 effective 1 January 2007). The previous Under-Secretary-General had selected a P-5 staff member to perform the D-2 function from March 2006 to date. In December 2006, this staff member was promoted to D-1, and in February 2007 was granted an SPA to the D-2 level retroactively from the first day of her promotion to D-1.

26. Although the granting of the SPA retroactively was in accordance with the rules, the failure to comply with the administrative instructions on temporary vacancy announcements reflected a lack of transparency in the selection of the candidate for the acting D-2 function in OUSG and created a negative perception among some staff in DM. Transparency in selecting a candidate, even for a temporary vacancy, is important because it could be perceived that the incumbent has been given an advantage over other applicants when competing for a regular appointment to the post.

27. The DM panel established to review and make recommendations to the Under-Secretary-General on SPA proposals did not review the P-5 staff member's selection to perform the D-2 function because the panel only reviews cases for individuals assuming higher functions up to the D-1 level. According to ST/AI/1999/17 on "Special Post Allowance", for the D-2 level, the Head of Department can make the decision after consultation with the Assistant Secretary-General for Human Resources Management, who reports to the Under-Secretary-General for Management, the Head of Department in this case.

28. OIOS also reviewed a consulting contract established by the OUSG which did not comply with the Secretariat's human resources procedures. This contract was approved by OHRM in January 2007 for a six month period starting 5 January 2007 and awarded to an intern working at the OUSG. According to

ST/AI/1999/7 on “Consultants and Individual Contractors”, consultants may be hired only when certain conditions are met. However, the OUSG had not fully complied with these conditions, nor did OHRM bring the areas of non-compliance to the attention of the OUSG for action. For example: (i) the consultant was performing the work previously done by a staff member; (ii) the selection process for the consultant was not competitive; and (iii) there was only a one-sentence terms of reference for the contract. The Under-Secretary-General stated that the consultancy contact had been initiated by her predecessor.

29. OIOS is concerned that the independence of the Assistant Secretary-General for Human Resources Management may have been compromised in both cases discussed above when her Office supported insufficiently justified requests from the Under-Secretary-General for Management who is the Assistant Secretary-General’s first reporting officer.

Recommendation 5

(5) The Under-Secretary-General for Management should lead by example by ensuring compliance with human resources rules and established procedures relating to promotion, granting of special post allowance and the hiring of consultants by her office.

30. *The Under-Secretary-General for Management did not accept recommendation 5 and stated that DM had referred to the Ethics Office to review the validity of the assertions. The Ethics Office report states that “as a result of its independent fact finding process, it has been able to ensure that the integrity of the processes has not been compromised.” Given that the findings are erroneous, the related recommendation should be withdrawn.*

31. OIOS is unable to accept this response because its review of documentation and interviews with staff members showed that the Office of Under-Secretary-General for Management had not complied with the administrative instructions which require issuance of temporary vacancy announcements for the acting D-2 position in OUSG, DM. Furthermore, the OUSG had not fully complied with the conditions listed in ST/AI/1999/7 on “Consultants and Individual Contractors” when engaging a former intern as a consultant. OIOS would appreciate receiving a copy of the report issued by the Ethics Office in order to review the basis for the conclusion that the integrity of the processes was not compromised. Recommendation 5 remains open pending confirmation by the Under-Secretary-General for Management that human resources cases relating to promotion, granting of special post allowance and hiring of consultants by her office are in compliance with the human resources rules and established procedures.

Recommendation 6

(6) The Assistant Secretary-General for Human Resources Management should ensure that exceptions to rules and established procedures governing human resources

management, in particular for personnel actions in the Office of Under-Secretary-General for Management, are fully justified and documented.

32. *The Under-Secretary-General for Management did not accept recommendation 6, stating that the auditors are inconsistent in emphasizing the Under-Secretary-General's need to comply with established ST/AIs and then questioning her integrity when she does so. According to the ST/AI cited in the report, the proper procedure is for the Assistant-Secretary-General for Human Resources to approve exceptions to the rules which is the procedure that was followed. To then imply that the Assistant-Secretary-General was compromised in following the ST/AI and that the Under-Secretary-General showed lack of integrity in making the request is erroneous. As stated above, given that the findings are erroneous, the related findings and recommendation should be withdrawn.*

33. OIOS would like to clarify that it did not question the integrity of the Under-Secretary-General but was rather highlighting the specific cases relating to OUSG that were non-compliant with the established rules and administrative instructions. Furthermore, contrary to the Under-Secretary-General's comment that the ST/AIs cited in the report (i.e. ST/AI/1999/17, ST/AI/1999/7 and ST/AI/2006/3) had provided for the Assistant-Secretary-General for Human Resources to approve exceptions, OIOS was unable to find any such provision in the above-mentioned ST/AIs. On the contrary, paragraph 1(b) of Annex IV of ST/AI/2006/3 states that OHRM is responsible and accountable for taking the necessary measures to ensure compliance with applicable procedures throughout the Secretariat, including monitoring of the recruitment process. Furthermore, there was no available documentation to show the basis on which the Assistant-Secretary-General for Human Resources may have granted exceptions for not complying with the ST/AI/1999/7 in connection with the selection of a candidate for the temporary D-2 position in OUSG as well as not complying with ST/1999/7 in regard to the engagement of a former intern as a consultant. Therefore, OIOS is unable to accept the Under-Secretary-General's reasons for not accepting this recommendation. Recommendation 6 remains open pending receipt of confirmation from the Assistant-Secretary-General for Human Resources that exceptions to rules and established procedures governing human resources management, in particular for personnel actions in the Office of Under-Secretary-General for Management, are fully justified and documented.

B. Promotion of ethical values and safeguarding of the Organization's resources

Communication of disciplinary measures

34. Communication is critical to promoting the values of an organization. The Under-Secretary-General stated that since taking office, she has tried to improve communication. For example, she stated that DM has established an unprecedented profile on i-seek, the United Nations intranet.

35. While recognizing DM's efforts, OIOS believes that the Under-Secretary-General has not fully used communication tools to foster integrity awareness in the Secretariat. Specifically, the implementation of disciplinary measures could have a more positive impact on staff conduct if adequate information on these measures were communicated to Secretariat staff. OIOS points out that the United Nations High Commissioner for Refugees issues a biannual internal memorandum to staff which lists the disciplinary actions taken during the period, such as the number of summary dismissals, demotions, losses of salary increments, written censures and reprimands. This memorandum also gives a summary of the basis for each disciplinary action. In the opinion of OIOS, such communication is critical to ensure staff members understand the ramifications of unacceptable behaviour and misconduct.

Recommendation 7

(7) The Under-Secretary-General for Management should keep staff members informed on the ramifications of unacceptable behaviour and misconduct by communicating periodically the disciplinary measures applied in the Secretariat, either through an announcement on the i-seek webpage or an email to all staff members.

36. *The Under-Secretary-General for Management did not accept recommendation 7, stating that OIOS has not taken into account an information circular and a General Assembly document detailing disciplinary action that was prepared annually, and distributed to all staff and delegations, and are available on i-seek and ODS. The most recent being A/62/186 and ST/IC2007/47 entitled "Practice of the Secretary-General in disciplinary matters and cases of criminal behaviour, 1 July 2006 to 30 June 2007". Based on the above, the recommendation seems redundant and should be withdrawn.*

37. OIOS is of the view that although the information circular is available on i-seek webpage and the General Assembly report in ODS, many staff members may not take notice of these issuances considering the substantial number of information circulars and General Assembly reports issued each year. Therefore, more prominence should be given to communicate these reports by announcing their release on the main page of i-seek or by email. In addition, DM may consider issuing such information circulars on a more regular basis i.e. every quarterly or half yearly, rather than on annual basis. Recommendation 7 remains open pending confirmation by DM that announcements of the disciplinary measures applied in the Secretariat are being made on the i-seek webpage or by email to all staff members.

Recovery of financial losses resulting from staff misconduct

38. According to Staff Rule 112.3, a staff member may be required to reimburse, either partially or in full, any financial losses suffered by the Organization due to his/her actions. OIOS identified a case where DM had paid a staff member \$30,000 for annual leave entitlements four months after the staff had been summarily dismissed for misconduct. OHRM had approved this

payment despite the recommendation made by OIOS that DM take appropriate action to recover the financial losses from this staff member. The Under-Secretary-General was not aware of this payment until OIOS brought it to her attention. In OIOS' view, payments to staff after dismissal for misconduct should be approved by the Under-Secretary-General for Management and the Deputy Secretary-General to ensure consistency of these payments with Staff Rule 112.3.

39. After verifying with OHRM, the Under-Secretary-General informed OIOS that, according to ST/AI/2004/3 on the "Financial responsibility of staff members for gross negligence", by deciding to summarily dismiss the staff member without going through the Joint Disciplinary Committee (JDC), pursuing recovery action was no longer an option. She also pointed out that OIOS had not indicated the amount of financial loss in its report, which is a prerequisite for taking recovery action.

40. OIOS disagrees with the reasoning that a recovery action cannot be made if a staff has been summarily dismissed without going through the JDC. According to Staff Rule 110.4 (b) (ii), "no such (JDC) advice shall be required in respect of summary dismissal imposed by the Secretary-General in cases where the seriousness of the misconduct warrants immediate separation from service." Therefore the Staff Rules, while allowing for expediting dismissal under specific circumstances, does not present any restriction to the recovery of losses arising from the staff member's misconduct if there was a financial loss. Furthermore, according to paragraph 3.5 of ST/AI/2004/3, if the staff member under investigation separates or is due to separate from service before the conclusion of the proceedings, the Assistant Secretary-General for Human Resources Management, at his or her own initiative or at the request of the Controller, may authorize the withholding of final separation payments until the proceedings have been concluded. The decision by OHRM to pay the former staff member has made it more difficult for the Organization to recover the financial losses suffered.

Recommendation 8

(8) The Under-Secretary-General for Management should establish a special procedure regarding payments to staff members who are summarily dismissed and in application of Staff Rule 112.3 that requires: (a) approval of these payments by the Under-Secretary-General for Management and the Deputy Secretary-General; and (b) consultation with all relevant parties to determine the amount of losses, if any, in order to take appropriate action to recover them.

41. *The Under-Secretary-General for Management did not accept recommendation, stating that according to paragraph 3.6 of ST/AI/2004/3, the investigation report should specify the loss amount so that recovery can be pursued. Assuming specific amounts are identified by OIOS, there is no need for a special recovery procedure as one already exists and was followed in the*

specific case cited. Based on the above, the recommendation is erroneous and should be withdrawn.

42. OIOS is unable to accept these comments as the basis for not accepting this recommendation. OIOS would like to point out that although the investigation report did not specify the loss amount, it was only the interim report. DM has not withheld the payments despite the provision in paragraph 3.5 of ST/AI/2004/3 that states that “if the staff member under investigation separates or is due to separate from service before the conclusion of the proceedings, the Assistant Secretary-General for Human Resources Management, at his or her own initiative or at the request of the Controller, may authorize the withholding of final separation payments until the proceedings have been concluded.” If no special procedure is established, the decision to pay the staff member who is summarily dismissed before the conclusion of the investigation will be made without consultation with the Under-Secretary-General of Management and the Deputy Secretary-General as has happened in the case mentioned above. Therefore, to prevent recurrence of similar cases, OIOS is reiterating recommendation 8. This recommendation remains open pending the establishment of a special procedure regarding payments to staff members who are summarily dismissed and in application of Staff Rule 112.3 that requires: (a) approval of these payments by the Under-Secretary-General for Management and the Deputy Secretary-General; and (b) consultation with all relevant parties to determine the amount of losses, if any, in order to take appropriate action to recover them.

Follow up action in an appeal case resulted in significant compensation to the Appellant

43. In March 2007, the Joint Appeals Board (JAB) considered an appeal by a staff member (the Appellant) against the Secretary-General’s decision to place the staff member on special leave with full pay (SLWP). The JAB found that the Respondent’s (the United Nations Administration) action constituted a fundamentally serious and damaging violation of the staff member’s due process rights and reputation, and recommended that the Organization pay the staff member two years’ net salary (equivalent to \$200,000 in this case) as compensation. Two months after this decision, in May 2007, the Organization paid the staff member the compensation amount as recommended by the JAB.

44. According to Staff Rule 105(a)(i), “In exceptional cases, the Secretary-General may at his initiative place a staff member on special leave with full pay if he considers such leave to be in the interest of the Organization.” The JAB stated that the Secretary-General’s discretionary authority to use this rule is not absolute, and the use of the rule could be permissible in the context of an investigation if two elements, i.e. “exceptional circumstances” and “the interest of the Organization”, were present and the staff member’s basic due process rights were observed.

45. The JAB was not satisfied with the response provided by the Administration regarding the exceptional circumstances which were identified and the Organization’s interests that were served. According to the JAB, the

absence of a rationale in the notice communicating the decision to place the staff member on SLWP constituted a significant flaw in according the staff member due process. Thus, the JAB ruled in favour of the staff member and recommended that the Organization pay two years' net salary as compensation.

46. The Administrative Law Unit (ALU) of OHRM reviewed the reasonableness of the JAB's conclusions and supported the Board's recommendation on the basis that the United Nations Administrative Tribunal (UNAT) might decide to award the Appellant more than two years' net salary in compensation, should the Organization refuse to accept the JAB's recommendation.

47. OIOS is concerned that this case will set a precedent and may lead to reluctance by the Organization to use SLWP in future even where the circumstances and interests of the Organization support such action. Since DM had agreed with the JAB's findings and conclusions, OIOS requested the Under-Secretary-General to provide information on follow-up actions taken by DM to identify the causes that led to the alleged infringement of the staff member's due process. This would include assessing the adequacy of the procedures used to accord the staff member due process and determining accountability for this alleged violation. The Under-Secretary-General did not respond to this request, stating that the review of this JAB case was outside the scope of OIOS' audit. In OIOS' view, the Under-Secretary-General for Management should address any process weaknesses that might have resulted in the JAB's finding in favour of the Appellant. OIOS considers such follow up action to be part of the Under-Secretary-General's executive management responsibilities.

Recommendation 9

(9) The Under-Secretary-General for Management should clarify the follow up actions taken by DM in establishing accountability for the case pertaining to the alleged violation of the staff member's due process rights that resulted in the payment of two years' net salary as compensation. The Under-Secretary-General should also explain how similar cases will be prevented in future.

48. *The Under-Secretary-General for Management did not accept recommendation 9, stating that this report has cited a specific JAB case. Although no name is given, the identity of the staff member could be reasonably deduced from the information provided. Moreover, JAB reports are confidential and the findings detail the JAB's panel considerations. This section should be removed in order to respect the confidentiality of the JAB report. In addition, as there were a number of mitigating factors related to the decision, the Under-Secretary-General has determined that it is not in the Organization's best interest to pursue this particular accountability issue at this time.*

49. OIOS disagrees that there has been a breach of confidentiality since no names are mentioned in the report. Only someone with insider knowledge of the case will be able to determine the identity of the staff member. OIOS is

reiterating this recommendation because of its concern that inadequate follow-up action by DM to identify the causes that led to the alleged infringement of the staff member's due process could result in similar cases and significant compensation payments by the Organization. The Under-Secretary-General also did not explain the basis for her statement that "it is not in the Organization's best interest to pursue this particular accountability issue at this time". Recommendation 9 remains open pending receipt of clarification from the Under-Secretary-General for Management on the follow-up actions taken by DM in establishing accountability for the case pertaining to the alleged violation of the staff member's due process rights that resulted in the payment of two years' net salary as compensation. The Under-Secretary-General should also explain how similar cases will be prevented in future.

C. Priority setting and decision making by the Under-Secretary-General for Management

50. Until late July 2007, when OIOS received the Under-Secretary-General's draft compact, there was no documentation outlining how the Under-Secretary-General set priorities except for a briefing note for a press conference in March 2007. To gain an understanding of how the Under-Secretary-General set priorities and made decisions, OIOS analysed the Under-Secretary-General's calendar between January 2007 and April 2007. The analysis revealed that the Under-Secretary-General spent over 75 per cent of her working hours in meetings. Furthermore, she spent a significant amount of time on human resources-related matters, mostly with staff representative bodies. The Under-Secretary-General explained that she spent considerable time in building better relations with the staff representative bodies, in view of the urgent need for effective staff-management consultations. According to her calendar, the Under-Secretary-General spent approximately six times the amount on staff related issues than on each of the other major reforms including procurement, ERP and CMP.

51. OIOS is of the opinion that while staff-management consultations were important, the leadership and attention of the Under-Secretary-General on the other major reforms and projects were also critical, particularly since the posts of the D-2 in the Procurement Service, the CITO and the Assistant-Secretary-General for CMP were vacant during that period. OIOS observed that very little progress was made on these major reforms during the period under review.

52. In late July 2007, OIOS received a copy of the draft compact for 2007 between the Under-Secretary-General and the Secretary-General. This document listed eight priorities consisting of implementation of the CMP, coordination of influenza pandemic preparedness, strengthening the accountability framework of the United Nations Secretariat, implementation of procurement reform, overhaul of the system for the administration of justice, implementation of human resources reform, ERP and strengthening support to peacekeeping operations.

53. The Under-Secretary-General appointed DM focal points to implement each of the priorities stated in her compact and established a mechanism to monitor progress monthly. It was unlikely that the expected accomplishments

would be achieved by December 2007, as only five months remained from the date of the compact until the end of the year. Furthermore, major reforms and large-scale projects such as the implementation of ERP and CMP had been significantly delayed, rendering the existing deadlines for the reforms unrealistic. Unrealistic deadlines are likely to result in excessive pressure, superficial implementation, compromise in the quality of deliverables and, in some extreme cases, fraudulent activities. The previous Secretary-General in his report³ of 7 March 2006 stated that “the past reform efforts, though (they) had generated some significant improvements, had only addressed the symptoms rather than the causes of the Organization’s weaknesses and had not adequately addressed the new needs and requirements.” This statement further underlined the risks of similar outcomes in the current reforms, particularly when there are unrealistic deadlines.

Recommendation 10

(10) The Under-Secretary-General for Management should review the progress of the reforms against the expected implementation deadlines and report to the General Assembly if meeting these deadlines is no longer realistic without compromising the expected results. In such case, the expected accomplishment of these reforms should be adjusted accordingly in the future compacts between the Under-Secretary-General for Management and the Secretary-General.

54. *The Under-Secretary-General for Management did not accept recommendation 10, stating that this recommendation was based on a review of the Under-Secretary-General’s calendar. She said that a calendar is a tool used to schedule meetings. In the course of the day, the Under-Secretary-General handles a myriad of issues, makes decisions, sets priorities, monitors progress and manages staff. To suggest that an auditor can qualitatively assess the Under-Secretary-General’s ability to effectively manage her operations through a review of her schedule is not only simplistic, but borders on the unprofessional. Additionally, since the Under-Secretary-General is accountable for the implementation of the reforms and therefore, monitoring deadlines is already an integral part of the responsibilities of the position, it would appear that the recommendation does not provide any added value.*

55. OIOS would like to clarify that recommendation 10 was not based solely on the review of the Under-Secretary-General’s calendar but rather on the fact that there were significant delays in major reforms and large-scale projects such as the implementation of ERP and CMP. During the course of the audit, the Under-Secretary-General acknowledged considerable delays in ERP and CMP. Therefore, recommendation 10 remains open pending receipt of documentation showing that progress reviews have been made of the reforms against the expected implementation deadlines, as well as the assessment of the Under-

³ A/60/692 – Report of Secretary-General “Investing in United Nations: for a stronger Organization worldwide”.

Secretary-General regarding whether it is realistic to meet the deadlines without compromising the expected results.

56. As for the use of the calendar, OIOS would like to point out that it was the OUSG who suggested that OIOS use the calendar to gain an insight into how the Under-Secretary-General spent her time as well as into her activities. While OIOS acknowledges that the calendar may be an imprecise measure, the results of OIOS' analysis of the calendar are consistent with the Under-Secretary-General's statement that she spent considerable time in building better relations with the staff representative bodies. As simplistic as the analysis of calendar may seem to be, this can be one of the tools that the Under-Secretary-General may consider using to determine the estimated time spent on her different responsibilities. This analysis is useful especially considering the many broad and important competing priorities that fall within the responsibilities of the Under-Secretary-General for Management. For example, this analysis can provide an indication of areas that have been most demanding of the Under-Secretary-General's time as well as areas that may be a top priority in the Under-Secretary-General's compact but where the Under-Secretary-General spent significantly less time.

V. ACKNOWLEDGEMENT

57. We wish to express our appreciation to the Under-Secretary-General for Management and staff of the Department of Management for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	O	Documentation clarifying the functions of the Deputy Secretary-General and the functions of the Under-Secretary-General for Management with regard to managing the Secretariat.	Not provided
2	O	Confirmation from the Under-Secretary-General for Management that conflict of interest situation created by the Controller's responsibilities over the procurement related functions of the Office of Central Support Services has been resolved.	1 July 2008
3	O	Documentation on the policies and procedures established to ensure that senior positions at the Secretariat (D-1 and above) are filled in a timely manner.	Not provided
4	O	Confirmation from the Under-Secretary-General that the reporting lines are in accordance with the formally established reporting lines under the new ST/SGB on the organization structure of DM.	1 May 2008
5	O	Confirmation by the Under-Secretary-General for Management that human resources cases relating to promotion, granting of special post allowance and hiring of consultants by her office are in compliance with the human resources rules and established procedures.	Not provided
6	O	Confirmation from the Assistant-Secretary-General for Human Resources that exceptions to rules and established procedures governing human resources management, in particular for personnel actions in the Office of Under-Secretary-General for Management, are fully justified and documented.	Not provided
7	O	Confirmation by the Department of Management that the announcement of disciplinary measures applied in the Secretariat had been made on the main page of the i-seek webpage or by email to all staff members.	Not provided
8	O	Documentation on the establishment of a special procedure regarding payments to staff members who are summarily dismissed and in application of Staff Rule 112.3 that requires: (a) approval of these payments by the Under-Secretary-General for Management and the Deputy Secretary-General; and (b) consultation with all relevant parties to determine the amount of losses, if any, in order to take appropriate action to recover them.	Not provided
9	O	Clarification from the Under-Secretary-Management on the follow-up actions taken by DM in establishing accountability for the case pertaining to alleged violation of the staff member's due process rights that resulted in the payment of two years' net salary as compensation.	Not provided
10	O	Documentation of progress reviews of the reforms against the expected implementation deadlines as well as the assessment of the Under-Secretary-General regarding whether it is realistic to meet the deadlines without compromising the expected results.	Not provided

1. C = closed, O = open

2. Date provided by Department of Management in response to recommendations.