



INTERNAL AUDIT DIVISION

AUDIT REPORT

Selected United Nations human resources management reform initiatives in field missions

Benchmarks and performance indicators need to be developed and monitored to measure the effectiveness of the reform in meeting the longer-term objectives of enhanced productivity, improved work environment and effective mandate delivery

27 July 2011
Assignment No. AP2010/615/04

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Ms. Angela Kane, Under-Secretary-General
A: Department/of Management

DATE: 27 July 2011

Ms. Susana Malcorra, Under-Secretary-General
Department of Field Support

REFERENCE: IAD: 11- 00508

FROM: Fatoumata Ndiaye, Director
DE: Internal Audit Division, OIOS

Fatoumata

SUBJECT: **Assignment No. AP2010/615/04 - Audit of selected United Nations human resources management reform initiatives in field missions**
OBJET: **management reform initiatives in field missions**

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 1, 5 and 6 in the OIOS recommendations database as indicated in Annex 1. 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. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 2 and 3 in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Catherine Pollard, Assistant-Secretary-General, OHRM, DM
Mr. Anthony Banbury, Assistant-Secretary-General, DFS
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Rohan Wijeratne, Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Seth Adza, Chief, Audit and Response Team, DFS
Mr. Mario Baez, Chief, Policy and Oversight Coordination Service, DM
Ms. Irmina Jose, Research Assistant, OUSG, DM
Mr. Byung-Kun Min, Special Assistant to the USG-OIOS
Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, OIOS
Ms. Amy Wong, Programme Officer, Internal Audit Division, 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).

CONTACT INFORMATION

DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

DEPUTY DIRECTOR:

Gurpur Kumar: Tel: +1.212.963.5920, Fax: +1.212.963.3388,
e-mail: kumarg@un.org

CHIEF, PEACEKEEPING AUDIT SERVICE:

Eleanor T. Burns: Tel: +1.212.967.2792, Fax: ++1.212.963.3388,
e-mail: burnse@un.org

EXECUTIVE SUMMARY

Audit of selected United Nations human resources management reform initiatives in field missions

The Office of Internal Oversight Services (OIOS) conducted an audit of selected United Nations human resources management reform initiatives in field missions. The overall objective of the audit was to assess the adequacy of the decision-making process for the reform and the effectiveness of key internal controls for its implementation. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The Organization achieved the reform's short-term objectives of streamlining contractual arrangements and harmonizing conditions of service of staff. Moreover, change management controls were effective including the dissemination of guidance and information materials on key elements of the reform to staff. Changes resulting from the reform were incorporated in new Staff Regulations and provisional Staff Rules promulgated effective 1 July 2009.

The Secretariat formulated the reform proposal after consultations with Heads of Departments, United Nations Agencies, Funds and Programmes. However, no risk assessment was carried out by the Secretariat to identify challenges and unexpected outcomes to ensure that if certain elements of the reform proposal were not approved by the General Assembly, alternatives were considered.

It is too early to fully assess the achievement of the longer-term objectives such as: (i) enhanced productivity; (ii) improved work environment; and (iii) effective mandate delivery. These objectives may be difficult to measure, as before launching the reform, no base line data was gathered, and no performance indicators were developed to measure the progress and impact of the reform over a defined period of time.

A Personal Transitional Allowance (PTA) was paid to compensate international staff in field missions who, after the initiation phase of the reform, faced a reduction in their total pay package. In calculating the PTA, the mission subsistence allowance (MSA) rates used for 36 staff members exceeded the authorized rates resulting in overpayment of about \$634,115.

While implementing the reform, the payment of MSA was discontinued for all civilian staff in field missions except for 154 Field Service Officers who continued to receive MSA together with United Nations common system benefits in their parent duty stations. This was not in line with General Assembly resolution 63/250 and resulted in additional payments of \$5.5 million.

DFS was responsible for monitoring the use of temporary duty assignments (TDY) in field missions. However, it was not adequately monitored, and as a result, out of 134 staff members on TDY sampled from 10 field missions for the period from 1 July 2009 to 31 December 2010, 13 staff members or 10 per cent exceeded the three months limit and received daily subsistence allowance for periods up to 13 months.

TABLE OF CONTENTS

Chapter	Paragraphs
I. INTRODUCTION	1-7
II. AUDIT OBJECTIVES	8
III. AUDIT SCOPE AND METHODOLOGY	9-11
IV. AUDIT RESULTS	
A. Decision-making process	12-29
B. Financial implications	30-40
C. Internal controls over the execution of the reform	41-61
V. ACKNOWLEDGEMENT	62
ANNEX 1 – Status of Audit Recommendations	
ANNEX 2 – Comparison of entitlements and benefits before and after the reform	

I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of selected United Nations human resources management reform initiatives in field missions. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. In his report 'Investing in People' (A/61/255) dated 9 August 2006, the then Secretary-General presented his vision of the human resources management (HRM) reform, proposing measures aimed at adapting the HRM framework to meet evolving requirements. The General Assembly approved by its resolution 63/250 of 24 December 2008 the first phase of the reform. This included the streamlining of contractual arrangements and harmonizing conditions of service within the United Nations Secretariat.
3. Effective 1 July 2009, the Secretariat: (a) transitioned staff in field missions to the new contractual arrangements comprising of three types of appointments (temporary, fixed-term and continuing), under one set of Staff Rules¹; (b) designated existing established missions as family missions and special missions as non-family missions; and (c) installed staff in their respective duty stations in accordance with the conditions of service of the United Nations common system².
4. Concurrent with the Secretary-General's reform proposals and, in response to the General Assembly's request, the International Civil Service Commission (ICSC) examined contractual arrangements and conditions of service for staff in United Nations common system serving in the field. On 23 December 2010, the General Assembly further adopted resolutions 65/247 and 65/248 on the HRM reform for harmonizing conditions of service for staff in the United Nations common system and serving in non-family duty stations effective 1 July 2011. In the second phase of the reform, the General Assembly authorized: (a) designation of duty stations as family/non-family based on security and other considerations; (b) payment of additional hardship allowance to staff serving in non-family duty stations; and (c) paid rest and recuperation travel to a designated location. In addition, the granting of continuing contracts was authorized effective 1 January 2011.
5. The main changes in entitlements of staff in field missions after the HRM reform are summarized in Annex 2.
6. Following the reform, a total of 6,964 international and 14,788 national staff serving under various contractual arrangements in peacekeeping and special political missions were re-appointed under the new Staff Rules.

¹ Before the reform, there were 11 types of contracts, 15 conditions of service and three sets of Staff Rules.

² General Assembly decided to keep the issue of United Nations common system conditions of service in the field under review and requested ICSC to continue to review this issue.

7. Comments made by the Department of Management (DM) and the Department of Field Support (DFS) are shown in *italics*.

II. AUDIT OBJECTIVES

8. The main objectives of the audit were to assess whether:

(a) The decision-making process for the HRM reform was adequately documented including financial implications;

(b) The new strategy for the streamlining of contractual arrangements and harmonization of conditions of service at the United Nations Secretariat was consistent with the Organization's goals and relevant General Assembly resolutions; and

(c) Processes and internal controls were adequately established to facilitate the decision-making process and to provide oversight in implementing the reform.

III. AUDIT SCOPE AND METHODOLOGY

9. The audit reviewed the contractual arrangements and harmonization of conditions of service components of the HRM reform package in peacekeeping missions and special political missions.

10. The audit methodology comprised: (a) review of relevant documents concerning the HRM reform, including General Assembly resolutions, Secretary-General's reform proposal reports, and ICSC reports; (b) analysis of data; (c) interviews with key personnel in the Office of Human Resources Management (OHRM) and Office of Programme Planning, Budget and Accounts of the DM, Field Personnel Division of the DFS, and the Field Staff Union; and (d) testing and assessing internal controls.

11. The audit did not include other HRM reform initiatives such as strategic workforce planning, recruitment and staffing, career development and mobility, and performance management.

IV. AUDIT RESULTS

A. Decision-making process

Preparatory work for the HRM reform was inadequate

12. The harmonization of contracts and conditions of service for staff has been one of the largest changes to human resources management since inception of the Organization. These changes are expected to result in an annual cost of \$240 million.

13. Implementing a reform of this size requires detailed preparatory work including: (a) a feasibility study showing various options for consideration, reasons for the proposed action, and estimated benefits and costs; (b) a risk assessment to identify the existing and future risks, as well as mitigating controls to address the risk; (c) a baseline study of existing conditions to provide a benchmark against which progress can be assessed; and (d) consultation with all stakeholders.

14. The Secretariat developed the reform proposals after consultations with Heads of Departments in October 2005 and United Nations Agencies, Funds and Programmes. However, no feasibility study and risk assessment were carried out by the Secretariat to consider different options and their cost implications, or to identify challenges and unexpected outcomes to ensure that if certain elements were not approved, alternatives were considered. For example, a risk assessment could have brought to the forefront the possibility that the General Assembly may not approve the Special Operations Approach (SOA), which was later determined as not suitable for the Organization³. The approach proposed the installation of staff serving in non-family missions in a nearby location with their eligible family members and payment of a special operations living allowance in the mission. Instead, the General Assembly approved the installation of staff in the non-family missions without their eligible dependents and payment of related entitlements for that duty station. As a result, 3,300 staff members in this phase of the reform had a reduction in their final pay package. To compensate, the Organization paid a Personal Transitional Allowance (PTA) to the affected staff.

15. *DPKO/DFS Management clarified that in response to General Assembly resolution 59/266, a feasibility study was carried out by the ICSC Working Group on the harmonization of conditions of service. This working group considered four proposals, including the Secretary-General's proposal for a "modified SOA". In the report of the Secretary-General "Investing in people" (A/61/255), the Organization had foreseen that in some non-family duty stations, the size of the United Nations presence, or other political, legal, security or logistical concerns may prevent the full application of the SOA, and, in those cases, a modified SOA should be applied. The ICSC, in its report A/60/30/Add.1, examined the four alternative approaches, including the Secretary-General's modified special operations approach model and concluded that the SOA approach model harmonized all practices, was more cost-effective and best met the needs of the organizations of the common system. Therefore, the Commission recommended that the SOA be applied in the United Nations common-system wide at all non-family duty stations including field missions. OIOS acknowledges that the ICSC conducted a feasibility study to a certain extent. While the Secretary-General's report (A/61/255) stated that "the working group will take into consideration that in some duty stations, the size of the United Nations presence, or other political, legal, security or logistical concerns, may prevent the full application of the current SOA", there was no evidence that this concern by*

³ The ICSC report (A/65/30 30 August 2010, paragraph 196) says: "The United Nations found that the SOA approach was not suitable for its purposes, primarily, because of the size of its missions. Negotiating agreements with Governments to locate large families in nearby countries was simply not practical. In addition, SOA had certain weaknesses in its conceptual design, which were recognized by most, if not all, of the organizations that used the system..."

the Secretariat was fully addressed by the ICSC Working Group or the Secretariat. In OIOS' view, the Secretariat should have further assessed the risks associated with the reform and developed a comprehensive feasibility study.

16. The reform proposal did not give a precise estimate of the number of staff eligible for continuing contracts. In various reports presented to the General Assembly, the number of staff eligible for continuing contracts in a five-year period (2009 to 2013) differed from 4,511 to 19,668. This large variance would have had a significant impact on related costs.

17. Management agreed that in moving forward with new reforms, it would be a good practice to conduct a feasibility study and risk assessment. At the time of the initial development of the present HRM reforms in 2005, the Secretariat had not yet launched its risk management/risk assessment methodology. However, now that the Secretariat is in the process of developing an Enterprise Risk Management (ERM) framework to manage its risks, this framework should be used as part of the process in developing future reform proposals.

Recommendation 1

(1) The Department of Management, with a view to enhancing future reform initiatives requiring capital investment, should ensure that the development of reform proposals is based on: (a) a risk assessment to identify challenges and opportunities; and (b) a feasibility study with cost estimates of various options.

18. *DM accepted recommendation 1 and stated that it would ensure that the development of reform proposals will be based on: (a) a risk assessment to identify challenges and opportunities; and (b) a feasibility study with cost estimates of various options for all reform initiatives requiring capital investment.* Based on Management's assurance that future reform proposals will be based on a risk assessment and a feasibility study, recommendation 1 has been closed.

A baseline study was not conducted including performance indicators for all reform objectives

19. Before launching the reform, a baseline study should have been conducted to provide benchmark data as of 30 June 2009 in order to monitor and measure the impact of the reform over a defined period of time.

20. Some data was collated in the initial stages such as vacancy and turnover rates, and presented in reform proposals as measurements for attracting and retaining staff. However, there was no baseline data gathered, or performance indicators and estimated targets established, to measure the progress and impact of implementing the reform, as well as the achievement of the reform's main objectives over time, as shown in Table 1:

Table 1: Performance indicators for the HRM reform

Objective	Indicator	Time-bound target
To attract qualified staff	Vacancy rate	Not available*
To retain qualified staff	Turnover rate	Not available
To ensure staff are treated equitably	Staff appointed under one set of Staff Rules	Available
To harmonize conditions of service	Conditions of service harmonized in all duty stations	Available
To simplify procedures	Not available	Not available
To achieve longer-term efficiencies in productivity	Not available	Not available
To improved work environment	Not available	Not available
To better deliver mandates	Not available	Not available

* DFS presents targets on vacancy rates in its biennium budgets

21. In the absence of performance indicators and targets, it will be difficult to assess whether the HRM reform has achieved its intended results. Reporting on this is a requirement of General Assembly resolution 65/247 of 23 December 2010. The Secretary-General has been requested to report regularly on the progress in implementing the HRM reform including efficiencies and the tangible improvements made.

22. *DFS commented that it was difficult to establish baseline data to measure the progress and impact of implementing the reforms, since not all of the ICSC and Secretary-General's recommendations were approved, and there has not yet been sufficient time to fully realize the impact of the reforms. With the adoption of General Assembly resolution 65/248, which provides for a harmonized approach to compensating staff in the field, the Secretariat will develop indicators to better analyze and monitor the impact of the harmonization of conditions of service over time.*

The methodology for computation of staff turnover rate requires review

23. According to the Secretary-General's report on the composition of the Secretariat⁴, the basis for computing the staff turnover rate is the number of actual departures from the Organization in the reporting period over the number of active staff. The turnover rate for the 2007/2008 financial year was 10.5 per cent.

24. The methodology used for computing the turnover rate for field missions in the reform proposal reports differed from that used in the Secretariat report mentioned above. The computation considered inter-mission transfers and returns to duty stations of staff on assignment as separations from the Organization while these were internal movements as part of the Organization's mobility policies. In the reform proposal, the turnover rate for professional staff

⁴ A/63/310 of 29 September 2008 paragraph 54

in field missions was 29 per cent in 2007⁵. OIOS calculated the turnover rate by excluding internal mobility such as inter-mission transfers and returns to duty stations for the 2007/2008 financial year. Excluding internal mobility, the turnover rate, i.e., staff leaving the Organization was 13 per cent for all international staff and 20 per cent for professional staff.

25. The high staff turnover rate in field missions was presented as one of the main reasons for the need for the reform. It is OIOS' view that both statistics should have been provided – the mission turnover rate including internal mobility, and the one excluding internal mobility (i.e. separation from the Organization). This would have facilitated a better understanding of the situation and enhanced decision-making by legislative bodies.

26. *DFS clarified that prior to the introduction of the Field Central Review Body, with the exception of Field Service Officers and staff on assignment from Headquarters and other offices, all mission staff were recruited for service limited to a specific mission. Staff members limited to service with a specific mission who moved to another mission did so only after a new recruitment process was completed, involving separation from one mission and reappointment to the new mission at which the staff member continued to be limited to service. The impact on a mission where staff members depart by separating from the Organization or moving to another mission remained the same, and, in some missions, such as the United Nations Assistance Mission in Afghanistan, the United Nations Assistance Mission for Iraq and the African Union/United Nations Hybrid Operation in Darfur, high turnover was particularly problematic. Nevertheless, DFS will begin to reflect the separations from the Organization and inter-mission mobility separately for clarity.*

The reform was not managed as a project

27. The HRM reform process, while it was developed over a number of years, would have benefited from having been implemented as a project. OIOS' review of the governance structure for implementation of the reform noted that:

- There was no Steering Committee established to oversee risk management and the implementation of the reform.
- There was no dedicated unit within DM to coordinate inputs and perform the change management function. Also, different sections of OHRM were responsible for various segments of the reform, but these were not consolidated and coordinated with other relevant offices to ensure its implementation.
- There was no central monitoring mechanism to ensure that the reform was implemented as intended. For example, there had been no monitoring visits by OHRM to field missions since the start of the reform.

⁵ A/63/298 of 15 August 2008 paragraph 32

28. Inadequate governance structure for implementing the HRM reform resulted in control weaknesses as follows:

(a) Information on implementation of the reform was not readily available at one place making it difficult to assess whether the reform had achieved the intended results or initiate timely action for mitigating any unintended effects.

(b) Although a summary of the progress on implementation of the reform was presented in the Secretary-General's reports in September 2010 (A/65/305 and A/65/305 Add.1), comprehensive information on the impact of the reform was not available.

(c) DM was not monitoring the actual cost of the reform to be able to report on this, and to monitor possible and unplanned expenditure overruns.

Recommendation 2

(2) The Department of Management should establish a central monitoring mechanism to: (a) undertake a baseline study and establish benchmarks for each reform objective that would serve as a basis to measure and report on the progress and impact of the human resources management reform; and (b) oversee the implementation of the reform.

29. *DM accepted recommendation 2 and stated that there is a central monitoring mechanism to measure and report on progress and impact of reform and to oversee its implementation. The processes to plan, oversee, monitor, and deliver these reform elements were embodied in a number of documents. The Human Resources overview reports submitted to the General Assembly every two years contained the status of progress, impact and upcoming plans for reform initiatives. Following the respective resolutions on the HRM reform, OHRM developed and monitored work plans for reform/resolution implementation, including time frames, roles and responsibilities. These are complemented by a set of indicators included in the HRM scorecard, which is signed by the heads of departments or missions of all field and non-field locations. OIOS acknowledges the various monitoring tools and mechanisms in place. However, the long-term impact of the reform cannot be measured in the absence of established benchmarks linked to each objective, and therefore, a baseline study needs to be conducted to allow progress to be measured against the baseline data. Recommendation 2 remains open pending confirmation that a baseline study has been conducted and benchmarks established to enable the impact of the reform to be effectively monitored and reported on.*

B. Financial implications

30. The Secretary-General's report A/63/298 of 15 August 2008 estimated the cost of the harmonization of contracts and conditions of service at \$383 million. However, the General Assembly did not approve the SOA, resulting in a

reduced cost estimate of \$107.2 million for the financial year 2009/2010, comprised of \$83.4 million for staff installation costs and \$23.8 million for contract conversion costs. These estimates included new entitlements such as education grant, dependency allowance and family visit travel.

31. The Secretariat model used in estimating the financial implications takes the salary scale and entitlements at mid-point range of professional (P-4/6) and field service (FS-4/6) staff categories. It also takes into account dependency patterns and expected vacancies. OIOS concluded that the estimated costs were reasonably calculated.

32. The General Assembly after considering the ICSC report A/65/30 of 30 August 2010 and Secretary-General's report A/65/493 of 6 October 2010, approved in its resolution 65/248 of 23 December 2010 the second phase of the HRM reform on the harmonization of conditions of service for staff of the United Nations common system serving in non-family duty stations. This included the designation of non-family duty stations on the basis of a security assessment, an additional hardship allowance under the existing mobility and hardship scheme, and paid travel for periodic rest and recuperation.

33. The ICSC proposal estimated the financial implications of the second phase of the reform for the United Nations Secretariat at \$156 million. Taking into consideration savings from the discontinuation of the PTA the costs were recalculated by the Secretariat at \$130 million in 2011/2012 and \$140 million per annum in subsequent years.

There is a need for a mechanism to monitor the cost of the reform

34. The Secretariat had not yet calculated the actual cost of the first phase of the reform, which was initially estimated at \$107 million. OIOS calculated that the actual increase in staffing expenditures was about \$109 million, confirming the reasonableness of the estimate made by the Secretariat. Table 2 below illustrates the comparison.

Table 2: Staffing expenditures in peacekeeping and special political missions

(in millions)	2008/2009	2009/2010	Difference
Peacekeeping missions*	\$932	\$1,018	\$86
Special political missions**	\$196	\$219	\$23
Total			\$109

* Data from the Funds Monitoring Tool application

** Data from IMIS 005 object code "Other cost"

*** The average international staff on-board did not change much from 2008/2009 to 2009/2010 (6,967 and 7,007 international staff respectively), and therefore, OIOS concluded that the increase in total staffing expenditures over the two-year period could generally be attributed to the HRM reform.

35. An analysis of staffing costs incurred after the reform indicated a significant increase in education grant and the assignment grant payments in the second year of the HRM reform. As shown in Table 3, the Organization incurred expenditures of \$13.2 million in 2008/2009 for education grant and assignment

grant payments. The same expenditures were projected by OIOS to increase to \$54 million in 2010/2011.

Table 3: Trend analysis of education grant and assignment grant costs in peacekeeping missions

(in millions) Description	2008/2009	2009/2010	Six months July - Dec 2010	2010/2011 Projected Cost
Education grant	\$13	\$15	\$17	\$33
Assignment grant	\$0.2	\$8	\$11	\$21
Total	\$13.2	\$23	\$28	\$54

36. Therefore, there is a need for OHRM to monitor costs to provide timely and granular information for managerial decision-making.

End-of-service liabilities were not considered in estimating financial implications

37. The Secretary-General's proposal on the HRM reform did not disclose the financial impact of contractual reform on end-of-service liabilities to the Organization. End-of-service and post-retirement liabilities are comprised of three components: (i) the commutation of unused vacation days (local and international staff); (ii) repatriation benefits (international staff only); and (iii) the after-service health insurance (ASHI) coverage for local and international staff.

38. The contractual reform, effective 1 July 2009, resulted in the re-appointment of 3,620 international staff (formerly 300-series appointments) under one set of Staff Rules. As of the date of conversion, their service became eligible for consideration of ASHI benefits based on the number of years of continuous service and provided that they met other requirements specified in the Organization's policy⁶. This resulted in additional financial implications to the Organization in terms of end-of-service and post-retirement liabilities.

39. DM commented that end-of-service and post-retirement liabilities were operating costs that did not have a direct relationship to the HRM reform. DFS also commented that as an ongoing practice prior to the reform, staff members on 300-series appointments were normally converted to 100 series upon reaching four years of service in field missions, and this practice would have continued had the reform not been implemented. Nonetheless, OIOS is of the view that the reform resulted in a one time conversion of a large number of staff compared to the previous spread over time of conversions. Therefore, ASHI liabilities, resulting from the one-time conversion of over 3,600 staff, should be calculated and disclosed to the General Assembly.

⁶ For staff recruited on or after 1 July 2007, the end of the attribution period is the later of age 55 and 10 years of credited service, and for staff recruited before 1 July 2007, the end of the attribution period is the later of age 55 and 5 years of credited service.

Recommendation 3

(3) The Department of Management, in coordination with the Department of Field Support, should monitor human resources management reform costs, calculate the financial impact of the contractual reform on the Organization's end-of-service and post-retirement liabilities and bring this to the attention of the General Assembly when reporting on the financial implications of the human resources management reform.

40. *DM and DFS accepted recommendation 3. DM stated that the harmonization of contracts created the conditions for those staff reappointed under the new conditions of service to start accruing contributory service towards ASHI legibility as of 1 July 2009. However, the past periods of employment under a limited-duration appointment did not carry an entitlement to ASHI. As a result, on 1 July 2009, those staff members did not have any accrued liability to ASHI. DFS stated that the financial implications were based on existing staff and reflected the projected additional costs of the entitlements under the new conditions of service as of 1 July 2009 over the cost of entitlements of the previous conditions of service. The ASHI and post-retirement liabilities were existing benefits which would have eventually accrued regardless of whether or not the conditions of service of non-family missions changed. The General Assembly in its resolution 63/250 requested that the Secretary-General report not earlier than the sixty-seventh session on the impact of the implementation of the new contractual reforms, including its financial implications. DFS would endeavor to reflect in the report to the General Assembly end-of-service and post-retirement liabilities of staff reappointed from 300 to 100 series appointments. Recommendation 3 remains open pending receipt of evidence that the HRM reform costs with the Organization's end-of-service and post-retirement liabilities are reported to the General Assembly.*

C. Internal controls over the execution of the reform

41. Change management controls implemented by the Secretariat were effective in communicating and informing staff on the main features of the reform as approved by the General Assembly. Within six months after the adoption of General Assembly resolution 63/250, the Secretariat took necessary steps to inform and educate staff about the change, including:

- a. Arranging town-hall meetings, video conferences, website postings, individual interactions by Chief Civilian Personnel Officers and mission staff, and publishing “Frequently Asked Questions” on a timely basis.
- b. Issuing comprehensive transitional guidelines on the implementation of the reform.
- c. Reappointing about 6,964 international staff and 14,788 local staff in field missions under one set of Staff Rules.

- d. Promulgating new Staff Regulations and provisional Staff Rules effective 1 July 2009.

42. As of 30 June 2010, about 7,017 international staff in field missions were appointed under the new contractual arrangements as shown in Table 4:

Table 4: Contract types of international staff serving in field missions as of 30 June 2009 and 30 June 2010

Appointment type	Appointment series	Number of staff as of 30 June 2009	Number of staff as of 30 June 2010
Before the reform			
Appointment of Limited Duration	300	3,872	
Fixed-term	100	2,850	
Permanent	100	229	
Indefinite	100	6	
Intermediate	200	3	
Probationary	100	3	
Short-term	300	1	
After the reform			
Continuing	One set of Staff Rules		Nil*
Fixed-term			6,664
Permanent			179
Temporary			168
Indefinite			6
	Total	6,964	7,017

* General Assembly authorized appointment of staff to continuing contracts effective 1 January 2011.

43. In general, the internal controls over implementation of the reform were in place and operating effectively. However, OIOS identified the following issues for control improvement:

Discontinuation of the Personal Transitional Allowance

44. Personal Transitional Allowance (PTA) was introduced to compensate international staff in field missions whose total pay package was reduced with the implementation of the reform. PTA is the difference between the after 30-day Mission Subsistence Allowance (MSA) rate for the month of June 2009, and the sum of the monthly post adjustment, rental subsidy/rental deduction, mobility allowance, hardship allowance and non-removal element for the same non-family duty station.

45. As of 1 July 2009, over 3,300 staff members were receiving PTA, which reduced to about 2,000 staff by 31 December 2010. For the same period, the expenditures incurred on PTA totaled \$46 million. This amount was funded from the approved international staffing budget.

46. Pursuant to the adoption of General Assembly resolution 65/247, PTA will be discontinued, effective 1 July 2011. Therefore, some staff will still suffer

a reduction in their pay package compared to the amount received prior to the reform.

47. OIOS discussed with OHRM as to whether the decision to terminate PTA, resulting in a reduction of staff monthly pay cheque, was discussed with the Office of Legal Affairs to seek an opinion on possible consequences and necessary actions if staff complained about a reduction in their salary. OHRM informed OIOS that the base salary of staff members had not changed, and entitlements of staff have always been subject to change. Taking this into consideration, OHRM was of the view that the condition was a low risk.

Overpayment of PTA

48. In calculating PTA, DFS applied individual MSA data for staff in field missions as of June 2009. It was important to ensure the accuracy of the MSA data as it formed the basis for the automated calculation of PTA in the Integrated Management Information System. The MSA rates used in calculations were prepared by field missions. However, the rates were not verified by DFS. A review of PTA payments for the period from 1 July 2009 to 28 February 2011 identified that MSA rates applied to 36 staff members were incorrect, resulting in an overpayment of \$634,115.

Recommendation 4

(4) The Department of Management, in coordination with the Department of Field Support, should recover overpayments of \$634,115 to staff members due to the incorrect use of the mission subsistence allowance data.

49. *DFS and DM accepted recommendation 4. DFS further stated that it was examining each case and would liaise with DM to take corrective action as appropriate.* Recommendation 4 remains open pending receipt of evidence that appropriate action has been taken to recover overpayment of \$634,115.

Field Service Officers were not installed in accordance with General Assembly Resolution 63/250

50. The Field Service Officers (FSOs) is a category of staff recruited prior to 1994 with conditions of service subject to reassignment at short notice to any field operation. The appointment of FSOs is not limited to any specific mission and their assignments are centrally managed by DFS. The aim was to enable the Organization to respond quickly and effectively to emerging global staffing priorities. In its January 2007 report, the ICSC Working Group on entitlements of internationally recruited staff serving in non-family duty stations recommended the transition of FSOs to the new conditions of service.

51. In implementing the reform, international staff were installed in their respective duty stations and the payment of MSA was discontinued except for 154 FSOs deployed in non-family missions. In addition to the MSA, these FSOs continued to receive United Nations common system benefits in their parent duty

stations (post-adjustment, mobility and hardship allowance, rental subsidy etc.). This practice was not in line with General Assembly resolution 63/250, and resulted in additional payments totaling \$5.5 million for the period from 1 July 2009 to 31 December 2010.

52. DM commented that the Secretary-General's proposals presented to the General Assembly were not fully accepted, particularly the elements of conditions of service for staff in a non-family mission. As a result, no action was taken to adjust conditions of service for FSOs pending the outcome of the second phase of the HRM reform. Now that the General Assembly approved the complete package of the reform on 23 December 2010, DM will harmonize conditions of service for FSOs with those of the United Nations common system.

Recommendation 5

(5) The Department of Management, in consultation with the Department of Field Support, should harmonize conditions of service of the Field Service Officers by installing them in duty stations in accordance with conditions of the United Nations common system in order to promote equity.

53. *DM and DFS accepted recommendation 5. DFS stated that it had issued guidelines on the implementation of the General Assembly resolution 65/248 on harmonization of conditions of service. These guidelines provided for the harmonization of conditions of service of the FSOs. Based on the action taken, recommendation 5 has been closed.*

Fixed-term appointments granted instead of temporary appointments

54. General Assembly resolution 63/250 approved the use of temporary appointments to meet seasonal or peak workloads and specific short-term requirements for less than one year. The appointment could be renewed for up to one additional year in field operations when warranted by surge requirements, operational needs and special projects with finite mandates.

55. DFS transitional measures required that 300-series staff with less than two years of continuous service as of 30 June 2009 and whose functions were of a temporary nature be reappointed to a new temporary appointment, provided their services were needed for more than three months but less than one year. OIOS reviewed the reappointment of 30 out of 60 staff members performing temporary functions in the Electoral Support Divisions of two missions (the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo and United Nations Operations in Cote d'Ivoire), and noted that 10 staff or 33 per cent, were granted fixed-term instead of temporary appointments. This was not in accordance with General Assembly resolution 63/250, Staff Rules and transitional measures issued by DFS.

56. DFS informed OIOS that due to the uncertainty surrounding the electoral support process, some of the functions initially authorised for six months were in

practice extended for a longer period with some incumbents of these posts still on-board. OIOS is of the view that the uncertainty in operational requirements for short-term projects had been addressed by allowing the extension of temporary appointments for additional one year in field missions, and therefore DFS Management should have complied with the Staff Rules and DFS transitional measures.

Recommendation 6

(6) The Department of Management, in coordination with the Department of Field Support, should ensure compliance with General Assembly resolution 63/250 and Staff Rules in granting temporary appointments where the assignments are considered to be of temporary nature.

57. *DM and DFS accepted recommendation 6. DFS commented that the cases referred to in paragraph 52 of the report was a one-time transitional issue relating to the implementation of the new contractual arrangements in July 2009. From 1 July 2009, only staff members recruited for positions authorized for one year or longer who have been appointed after a review by a central review body are appointed on fixed-term appointments. Staff members recruited for positions of less than one year are appointed under temporary contracts. Based on the Management's assurance that granting temporary and fixed-term appointments will be in compliance with the Staff Rules, recommendation 6 has been closed.*

There is a need to monitor temporary duty assignments in field missions

58. The General Assembly, in its resolution 63/250, requested the Secretary-General to discontinue the practice of assigning staff from Headquarters to missions on travel status for a period of more than three months. The change in practice would conform to the existing policy on temporary duty assignments (TDY) in field missions, which is limited to a period of three months.

59. Although DFS is responsible for monitoring the use of TDY in field missions in accordance with the guidelines issued on 23 August 2008, periodic monitoring was not effectively done. Out of 134 staff on TDY sampled in 10 field missions for the period from 1 July 2009 to 30 December 2010, 13 staff or 10 per cent remained on travel status for more than three months and continued to receive daily subsistence allowance for periods ranging from 4 to 13 months, as seen in Table 5 below.

Table 5: TDY assignments exceeding three months

Receiving Mission	Releasing Mission	Number of Staff	Period of TDY
Entebbe Support Centre	UNMIL, UNHQ, BINUB and UNAMID	5	104 days - 394 days
UNSOA	UNLB and UNAMID	2	104 days - 152 days
UNIOGBIS	UNMIL	1	124 days
UNIPSIL	MINURSO	1	118 days
MINUSTAH	BINUB	1	114 days
UNMOGIP	UNMOGIP	2	182 days
UNMIS	MONUSCO	1	182 days

60. The lack of a central monitoring mechanism in DFS/DM for tracking TDY assignments resulted in non-compliance with General Assembly resolution and additional cost to the Organization.

Recommendation 7

(7) The Department of Field Support, in coordination with the Department of Management, should ensure that staff who serve on temporary duty assignments for more than three months are installed in missions as required by General Assembly resolution 63/250.

61. *DM and DFS accepted recommendation 7. DFS stated that it would remind all missions that staff may not be in travel status in another mission for more than three months. OIOS acknowledges DFS' proposed action, however, a mechanism needs to be developed to monitor compliance with requirements of the General Assembly resolution. Recommendation 7 remains open pending confirmation by DFS and DM that an effective control mechanism has been implemented to monitor temporary duty assignments.*

V. ACKNOWLEDGEMENT

62. We wish to express our appreciation to the Management and staff of DM and DFS for the assistance and cooperation extended to the auditors during this assignment.

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The Department of Management, with a view to enhancing future reform initiatives requiring capital investment, should ensure that the development of reform proposals is based on: (a) a risk assessment to identify challenges and opportunities; and (b) a feasibility study with cost estimates of various options.	Governance	Medium	C	Action taken	Implemented
2	The Department of Management should establish a central monitoring mechanism to (a) undertake a baseline study and establish benchmarks for each reform objective that would serve as a basis to measure and report on the progress and impact of the human resources management reform, and (b) oversee the implementation of the reform.	Governance	High	O	DM's confirmation that a baseline study has been conducted and benchmarks established to enable the impact of the reform to be effectively monitored and reported on.	
3	The Department of Management, in coordination with the Department of Field Support, should monitor human resources management reform costs, calculate the financial impact of the contractual reform on the Organization's end-of-service and post-retirement liabilities and bring this to the attention of the General Assembly when reporting on the financial implications of the human resources management reform.	Financial	High	O	Receipt of evidence that the HRM reform costs with the Organization's end-of-service and post-retirement liabilities are reported to the General Assembly.	First quarter of 2013
4	The Department of Management, in coordination with the Department of Field Support, should recover overpayments of \$634,115 to staff members due to the	Operational	Medium	O	Receipt of evidence that appropriate action has been taken to recover overpayments of \$634,115.	Third quarter 2011

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
	incorrect use of the mission subsistence allowance data.					
5	The Department of Management, in consultation with the Department of Field Support, should harmonize conditions of service of the Field Service Officers by installing them in duty stations in accordance with conditions of the United Nations common system in order to promote equity.	Compliance	High	C	Action taken	Implemented
6	The Department of Management, in coordination with the Department of Field Support, should ensure compliance with the General Assembly resolution 63/250 and Staff Rules in granting temporary appointments where the assignments are considered to be of temporary nature.	Compliance	Medium	C	Action taken	Implemented
7	The Department of Field Support, in coordination with the Department of Management, should ensure that staff who serve on temporary duty assignments for more than three months are installed in missions as required by General Assembly resolution 63/250.	Operational	Medium	O	Confirmation by DFS and DM that an effective control mechanism has been implemented to monitor temporary duty assignments.	

1. C = closed, O = open

2. Date provided by DM and DFS in response to recommendations.

ANNEX 2

COMPARISON OF SELECTED BENEFITS AND ENTITLEMENTS					
Entitlement	BEFORE THE REFORM			AFTER THE REFORM	
	100 series Established Missions	100 series Mission Appointee in Special Missions	300 series in Special Missions	Temporary Appointment*	Fixed-term and Continuing Appointments
	Family Missions	Special Missions	Special Missions	Family and Non-family Missions	
Salaries and Allowances					
Post-Adjustment	✓	X	X	✓	✓
Mobility Allowance	✓	X	X	X	✓
Hardship Allowance	✓	X	X	✓	✓
Additional Hardship Allowance**	X	X	X	✓ (Non-family missions)	✓ (Non-family missions)
Rental Subsidy	✓	X	X	✓	✓
Mission Subsistence Allowance (MSA)	X	✓	✓	X	X
Assignment Grant	✓	X	X	✓ (DSA portion only)	✓
Non-removal element of mobility and hardship	✓	X	X	X	✓
Dependency Benefits	✓	✓	X	✓	✓
Family/Recruitment Allowance	X	X	✓	X	X
Education Grant	✓	✓	X	X	✓
Annual within-grade salary increment	✓	✓	X	✓ (if extension for a second year)	✓
End-of-service Benefits					
Termination Indemnity	Annex I to Staff Rules	Annex I to Staff Rules	Annex I to Staff Rules	Annex III to Staff Rules	Annex III to Staff Rules
After-service health insurance (ASHI)	✓	✓	X	X	✓
Repatriation Grant	✓	✓	X	✓	✓
Travel					
Education Grant Travel	✓	X	X	X	✓(Family missions)
Initial travel of dependents to the duty station	✓	X	X	X	✓(Family missions)
Shipment of personal effects	1000 kgs for s/m, 500 kgs for 1st dependent, 300 kgs for other dependents	100 kgs for staff member only	100 kgs for staff member only	100 kgs for staff member only	1000 kgs for s/m, 500 kgs for 1st dependent, 300 kgs for other dependents (family missions) 1000 kgs for s/m only (non-family missions)
Relocation Grant	\$10,000-single \$15,000-dependency	\$1,200	\$1,200	\$1,200	✓ \$10,000 (single rate) or \$15,000 (family rate); For appt or assignment of less than 1yr 100 kg or \$1200
Family visit travel with lump-sum option	X	✓	X	✓ After one year of service and with expectation of at least 6-months' service upon return from home leave, at the duty station of one-year home leave cycle	✓
Home leave travel with lump-sum option	✓	✓	X	✓ After one year of service and with expectation of at least 6-months' service upon return from home leave, at the duty station of one-year home leave cycle	✓
Travel allowance	X	X	✓	X	X
Leave					
Paid Rest and Recuperation leave**	X	X	X	✓	✓
Annual leave	✓(2.5 days per month)	✓(2.5 days per month)	✓(2.5 days per month)	✓(1.5 days per month)	✓(2.5 days per month)
✓: Entitled					
X: Not entitled					
* Temporary appointments after the reform also includes other entitlement/benefits namely WAE, Language WAE, Language monthly, Language Daily and Language Off-site contracts					
** Effective implementation date will be 1 July 2011.					