



## **INTERNAL AUDIT DIVISION**

### **AUDIT REPORT 2013/054**

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#### **Audit of management of the Capital Master Plan staff reduction strategy**

**Overall results relating to management of the  
CMP staff reduction strategy were initially  
assessed as partially satisfactory.  
Implementation of one important  
recommendation remains in progress.**

**FINAL OVERALL RATING: PARTIALLY  
SATISFACTORY**

**20 June 2013**

**Assignment No. AC2012/514 /01**

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# AUDIT REPORT

## Management of the Capital Master Plan staff reduction strategy

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of the Capital Master Plan (CMP) staff reduction strategy.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. The CMP was established pursuant to General Assembly resolution 55/238. A budget of \$1,876.7 million was approved by the Assembly in resolution 61/251 and work on the CMP has been authorized in accordance with the accelerated strategy referred to in Assembly resolution 62/87.
4. The Office of the CMP is headed by an Executive Director at the Assistant Secretary-General level. It has 26 authorized temporary positions: 14 at Professional Level and 12 General Service staff. Also, consultants are engaged to play key roles in the CMP project team and include programme managers and designers.
5. The CMP budget also funds 12 positions in other departments supporting CMP activities, including the Office of Legal Affairs (OLA), the Department of Safety and Security (DSS), the Office of Information and Communications Technology (OICT), the Procurement Division (PD) and OIOS. Additionally, CMP associated costs have been used to fund approximately 80 temporary posts in DSS and other departments.
6. Comments provided by the Office of CMP and the Office of Human Resources Management (OHRM) are incorporated in *italics*.

### II. OBJECTIVE AND SCOPE

7. The audit of management of the Capital Master Plan (CMP) staff reduction strategy was conducted to assess the adequacy and effectiveness of CMP governance, risk management and control processes in providing reasonable assurance regarding the effective management of the CMP staff reduction strategy.
8. This audit was included in the 2012 OIOS risk-based annual work plan due to the following:
  - a. CMP construction is expected to be completed before the end of 2014, and staff could leave prematurely or transfer to take up more secure positions within or outside of the UN system.
  - b. Key functions will be needed beyond the project duration and hence staff performing those functions will need to be retained; and
  - c. Other staff will need to be redeployed or discharged as funding will no longer be available beyond the completion of the project.

9. The key control tested for the audit was human resources strategy with emphasis on the management of the staff reduction strategy. For the purpose of this audit, OIOS defined this control as providing reasonable assurance that the staff reduction strategy supports the retention of competent staff for the implementation of the CMP.

10. The key control was assessed for the control objectives shown in Table 1. Certain control objectives (shown in Table 1 of the Assessment of key controls as “Not assessed”) were not relevant to the scope defined for this audit.

11. OIOS conducted this audit from 17 September to 17 October 2012. The audit covered the period from January 2008 to September 2012.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

13. CMP governance, risk management and control processes examined were assessed as partially satisfactory in providing reasonable assurance regarding the effective management of the CMP staff reduction strategy. OIOS made one recommendation to address issues identified in the audit. The Office of CMP embarked on a strategy to mitigate the threats and uncertainties regarding critical functions in case key members of staff leave. However, efforts to finalize the staff reduction strategy and succession plan needed the involvement of other stakeholders such as the Department of Management and other offices and departments with associated staff. Consultations with all stakeholders were initiated. The Office of CMP anticipated that a staff reduction strategy that included a succession plan would be finalized and approved in due course.

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of one important recommendation remains in progress.

**Table 1: Assessment of key controls**

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of CMP staff reduction strategy	Human resources strategy	Partially satisfactory	Not assessed	Not assessed	Not assessed
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## **A. Human resources strategy**

### The Office of CMP effectively managed staff movements and mitigated associated risks

15. From January 2011 to September 2012, there were eight outward and eight inward staff movements. Notwithstanding this staff turnover, the Office of CMP effectively managed staff movements and mitigated the associated risks. There was no loss of any key members of the project management team during the period under review. OIOS was informed and subsequently confirmed through document reviews, that recruitment actions for posts which fell vacant were only processed based on need. As of September 2012, three positions were vacant of which two were frozen as a cost saving measure and their functions absorbed by existing staff. Recruitment actions were initiated for the remaining vacant post.

### A strategy to finalize the CMP staff succession plan was at an advanced stage

16. The Office of CMP had embarked on a strategy to mitigate the threats and uncertainties regarding critical functions. For example, the Office had determined that the Executive Director role could be undertaken by the Director of Construction, and vice versa, if necessary. Similarly, it had made arrangements whereby at least two staff members could fulfil each role.

17. The Office of CMP initiated dialogue with OHRM regarding succession planning. Consequently, a note was prepared in July 2011 for the attention of the Under-Secretary-General for Management laying down a business case for succession planning and staff reduction. Subsequent meetings were held with the Executive Officer in the Department of Management regarding this issue. The Office of CMP was preparing a detailed analysis and status of staff for presentation to OHRM at the time of the audit.

### The Office of CMP began to determine the criteria for CMP staff reduction and reallocation

18. In accordance with the post incumbency report of September 2012, nine staff members held permanent contracts, 11 were on fixed term appointments, and three were on temporary appointment. These staff will be discharged from the Office of CMP when the project is completed. There will be a need to determine who will be engaged to perform key functions at the time of handover of operations to the Facilities and Commercial Management Services Division.

19. There were no comprehensive written criteria for managing staff reductions and reallocations. Predetermined criteria could become important if staff reduction issues become contentious in future. At the time of the audit, the Office of CMP stated that a comprehensive review of staffing had been undertaken and that the review included the criteria for downsizing and reallocations. Since the Office of CMP had begun to develop the criteria, OIOS did not make a recommendation.

### Staff reduction strategy was underway for CMP funded posts in other offices and departments

20. The CMP budget funded 12 positions in other departments supporting CMP activities, including OLA, DSS, OICT, PD and OIOS. These were in addition to posts funded by CMP associated costs in DSS, Department of General Assembly and Conference Management (DGACM) and Department of Management (DM).

21. The Office of CMP issued a memorandum to OLA and PD advising them of the pending scaling down of operations as the project approached completion. Consequently, OLA took immediate action and redeployed one member of staff with effect from 1 July 2012. Also, PD cancelled a vacant P-3 post. A

further review was scheduled to take place by mid-2013 to determine whether there was a continued need for the remaining P-4 post. Office of the CMP also determined that posts in DSS, OICT and OIOS were expected to continue until the end of the project.

Need for Secretariat guidelines for treatment of staff whose positions are affected by organizational restructuring

22. Temporary increases in staffing and operational costs were required in certain parts of the Organization, such as the DSS, Department of Public Information, DGACM and the DM to support construction activities, and these staffing costs were met from CMP associated costs. As CMP activities were coming to a close, these departments needed to address staff reduction or redeployment. OHRM stated that it was in the process of developing an administrative instruction on organizational restructuring.

**(1) The Office of Human Resources Management should expedite the formulation of guidelines for the treatment of staff whose positions are affected by organizational restructuring at the completion of CMP activities.**

*The Office of Human Resources Management accepted recommendation no.1 and stated that elements of two new administrative instructions on "Workforce Reshaping" and "Separation from Service" have been prepared to be discussed with staff at the Staff-Management Committee meeting from 12-20 June 2013. Following discussions with staff, further work will be made on the draft instructions, which will be subject to the normal consultation and clearance process. Pending the issuance of a formal administrative issuance, reference material on downsizing was sent to Human Resources practitioners in the Organization on 29 April 2013. Recommendation no.1 remains open pending the issuance of administrative instructions on staff reduction strategy.*

#### **IV. ACKNOWLEDGEMENT**

23. OIOS wishes to express its appreciation to the Management and staff of the Office of CMP and the Office of Human Resources Management for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## CMP Staff reduction strategy

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	The Office of Human Resources Management should expedite the formulation of guidelines for the treatment of staff whose positions are affected by organizational restructuring at the completion of CMP activities.	Important	O	Issuance of administrative instructions on staff reduction strategy	31 December 2013 <sup>5</sup>

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by the office of CMP and the Office of Human Resources Management in response to recommendations.

<sup>5</sup> Subject to consultations with staff representatives.

# **APPENDIX I**

## **Management Response**



## AUDIT RECOMMENDATIONS

## AC2012/514/01 - Audit of management of Capital Master Plan staff reduction strategy

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The Office of Human Resources Management should expedite the formulation of guidelines for the treatment of staff whose positions are affected by organizational restructuring at the completion of CMP activities.	Important	Yes	Chief, Human Resources Policy Service, OHRM	31 December 2013 <sup>3</sup>	Elements of two new administrative instructions on "Workforce Reshaping" and "Separation from Service" have been prepared which will be discussed with staff at the Staff-Management Committee meeting from 12-20 June 2013. Following discussions with staff, further work will be made on the draft instructions, which will be subject to the normal consultation and clearance process. Pending the issuance of a formal administrative issuance, reference material on downsizing was sent to Human Resources practitioners in the Organization on 29 April 2013.

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> Subject to consultations with staff representatives