INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/069

Audit of the process for determining locally recruited staff salary scales at non-Headquarters duty stations

Overall results relating to the efficiency and effectiveness of the process for determining local staff salary scales at non-Headquarters duty stations were initially assessed as partially satisfactory. Implementation of eight important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

23 August 2013
Assignment No. AH2012/512/02

CONTENTS

AUDIT REPORT

Audit of the process for determining locally recruited staff salary scales at non-Headquarters duty stations

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of the process for determining salary scales for locally recruited staff at non-Headquarters duty stations[1].

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.   As at December 2011, there were approximately 55,000 locally recruited staff (General Service and National Officers) in the United Nations system with salaries estimated at $1.2 billion[2] annually. The salary scales of locally recruited staff are determined based on the Flemming Principle, which states that the conditions of service for locally recruited staff should reflect the best prevailing conditions found locally for similar work. The Chief Executives Board (CEB) designated the United Nations and World Health Organization as the responsible agencies to determine salary scales for locally recruited staff at non-Headquarters duty stations. Accordingly, the Compensation and Classification Section (CCS) in the Human Resources Policy Service of the Office of Human Resources Management (OHRM) conducts salary surveys and determines local staff salary scales at non-Headquarters duty stations in accordance with the methodology developed and approved by the International Civil Service Commission (ICSC)[3]. The methodology is supplemented by a salary survey manual issued by OHRM, detailing the operational aspects of the process. CCS is headed by a Section Chief at the P-5 level, who is supported by five salary survey specialists (three at P-4 level and two at P-3 level) and five General Service staff.

4.   There are two types of salary surveys: comprehensive surveys and interim surveys. Comprehensive surveys are conducted once in five years and involve identifying and interviewing comparator employers, collecting information on salaries and benefits and calculating United Nations salaries based on a comparative analysis of net income earned by employees in comparator companies and organizations. Interim surveys are normally conducted annually to adjust salary scales between comprehensive surveys to reflect the salary movement trend of comparator employers. The salary survey methodology provides for the involvement of staff representatives in the process. Accordingly, a Local Salary Survey Committee (LSSC) consisting of representatives from management and staff of the various common system organizations at a duty station is established as a forum for staff/management and inter-agency consultation. The committee is chaired by a senior internationally recruited official at the duty station.

5.   The process of determining locally recruited staff salary scales is depicted in the diagram below:

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[1] Duty stations other than those where the United Nations and Specialized Agencies have their headquarters.
[2] The estimate was determined based on the salaries of General Service staff members at grade 4 step V and National Officers salaries at grade B step V.
[3] ICSC is an independent expert body established by the United Nations General Assembly to regulate and coordinate the conditions of service of staff in the United Nations common system. Its mandate includes determining the salary scales for locally recruited staff at Headquarters duty stations by reference to the best prevailing conditions of service among other employers in the locality.

Salary Scale Determination Process
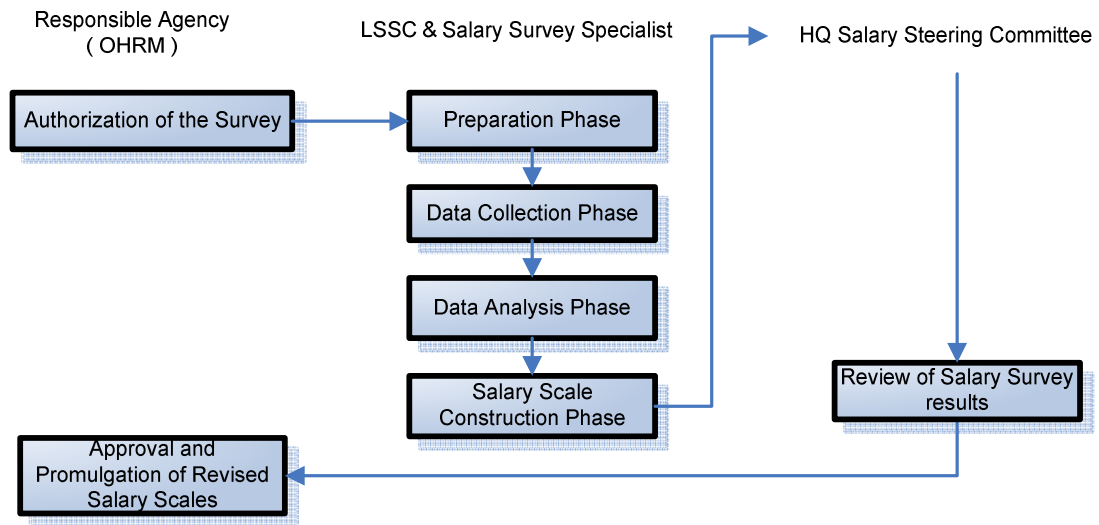
6.   The salary scale determination process is conducted in four phases. During the preparation phase, OHRM notifies a duty station that a comprehensive survey is to be conducted. The LSSC at the duty station updates information on leading employers to be surveyed and compiles statistics on job and grade distribution of all local common system staff at the duty station. Through interviews and questionnaires, data on salaries, allowances and other conditions of service offered by surveyed employers are collected. They are analyzed and compared with the internal conditions of service of United Nations organizations and differences, which could be positive or negative, result in either an upward or downward revision of salary scales or maintenance of existing scales.

7.   The Headquarters Salary Steering Committee (HSSC) is responsible for reviewing the outcome of salary surveys. It is chaired by the United Nations, which is represented by OHRM, and consists of representatives from ICSC and other United Nations agencies such as the United Nations Development Programme (UNDP), and the United Nations Children's Fund (UNICEF). OHRM approves and notifies the surveyed duty station of the revised salary scales.

8.   CCS is funded from both the regular and the jointly financed administrative activities budgets.

9.   Comments provided by OHRM are incorporated in italics.

II.   OBJECTIVE AND SCOPE

10.   The audit was conducted to assess the adequacy and effectiveness of the Secretariat's governance, risk management and control processes in providing reasonable assurance regarding the **efficiency and effectiveness of the process for determining local staff salary scales at non-Headquarters duty stations.**

11.   The audit was included in the 2012 OIOS risk-based work plan due to the risk that ineffective implementation of the salary determination process could reduce the Organization's ability to attract suitable candidates and to retain existing staff. This audit was also requested by OHRM

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12.   The key controls tested for the audit were: (a) regulatory framework; and (b) project management capacity. For the purpose of this audit, OIOS defined these key controls as follows:

(a)   **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the determination of local staff salary scales; (ii) are implemented consistently; and (iii) ensure financial and operational information is reliable and produced with integrity.

(b)   **Project management capacity** - controls that provide reasonable assurance that there are sufficient tools, methodologies and resources to conduct the local staff salary surveys and determine local staff salary scales. This includes project planning and monitoring, training and adequate information technology (IT) tools.

13.   The key controls were assessed for the control objectives shown in Table 1.

14.   OIOS conducted this audit from May 2012 to April 2013. The audit covered the period from January 2010 to September 2012.

15.   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.

16.   A sample of six comprehensive salary surveys[4] and four interim surveys[5] was selected for detailed review. The audit team conducted telephone interviews with selected representatives of senior management and LSSC members at the relevant duty stations. Policies and practices of the World Bank and ICSC were used as reference in assessing the salary scale determination process.

III.   AUDIT RESULTS

17.   The Secretariat governance, risk management and control processes examined were initially assessed as **partially satisfactory i**n providing reasonable assurance regarding the **efficiency and effectiveness of the process for determining local staff salary scales at non-Headquarters duty stations.** OIOS made eight recommendations to address issues identified in the audit. A methodology developed by ICSC existed to guide the determination of locally recruited staff salary scales and OHRM promulgated a salary survey manual detailing the operational aspects of the process. Milestones in the process were monitored through a Lotus Notes-based salary survey tracking database. The key control of regulatory framework was rated partially satisfactory because review and approval roles, relating the determination of locally recruited staff salary scales, needed to be clarified; and controls over interim reviews needed strengthening. The key control of project management capacity was rated partially satisfactory because controls over the IT tool used to record and analyze salary survey data needed to be strengthened; a quality control programme for the salary scale determination process was yet to be developed; and key decisions in surveys needed to be supported with adequate documentation. OHRM accepted all recommendations and has initiated necessary steps to address the identified issues.

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[4] Thailand, 2011; Chile, 2011; Cyprus, 2010; Namibia, 2012; Nepal, 2012; and Sierra Leone, 2011.
[5] Bhutan, 2010; Nigeria, 2012; Thailand, 2010; and Chile, 2010.

18.   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 eight important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective(s)	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Efficient and effective determination of local staff salary scales at non-Headquarters duty stations	(a) Regulatory framework	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
	(b) Project management capacity	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A.   Regulatory framework

<u>Review and approval roles relating to the determination of salary scales for locally recruited staff needed to be clarified</u>

19.   The salary survey methodology provided a broad framework for the salary determination process while OHRM, in its capacity as the representative of the responsible agency, was required to put in place appropriate mechanisms to ensure adequate review and approval of the process. However, such mechanisms were not clear as explained below:

(a)   The salary survey manual issued by OHRM states that the HSSC is responsible for ensuring that salaries of locally recruited staff are established in full compliance with the methodology. Although there was an HSSC comprising the Chief, CCS as chair and representatives from ICSC, UNDP and UNICEF as members, it was not formally established with clearly identified members and defined terms of reference that were officially communicated to the organizations of the United Nations common system**;** and

(b)   The segregation of duties was inadequate as the Chief, CCS, who supervised the salary survey specialists, also chaired the HSSC. By not segregating the functions, the benefit of an independent review of survey results could not be achieved.

20.   Considering the significant financial impact of the salary scale determination process together with its impact on staff morale and the Organization's ability to attract and retain the best candidates, the review and approval roles in the process needed to be clarified and formalized.

> **(1) OHRM should clarify the arrangements relating to the review and approval of revised salary scales including ensuring that: (i) members of the Headquarters Salary Steering Committee (HSSC) are independent of operational responsibilities in the salary scale determination process; and (ii) the names of members and terms of reference of the HSSC are communicated in writing to the organizations of the United Nations common system.**

> *OHRM accepted recommendation 1 and stated that the terms of reference, including the names of the members of the HSSC will be prepared and forwarded to the CEB.* Recommendation 1 remains open pending notification that the names of the members of HSSC (who are operationally independent of the process) and the committee's terms of reference have been communicated to the CEB.

Transparency of HSSC decisions needed to be improved

21.   The salary survey manual stipulates that all meetings of the HSSC should be carefully documented. OHRM conducted about 30 comprehensive surveys per year during the period under review and the HSSC convened an average of six times per year in 2010 and 2011 and approved approximately six survey results during each meeting. Since 2012, HSSC meetings were held virtually, through e-mail and on an as required basis. However, since the commencement of virtual meetings, the results of the deliberations of HSSC have not been formally documented to record the results of the committee's review of the outcomes of salary surveys.

> **(2) OHRM should formally record the decisions of members of the Headquarters Salary Steering Committee, which are used as the basis for revising salary scales.**
>
> *OHRM accepted recommendation 2 and stated that this was an ongoing process for each of the surveys that was reviewed by the HSSC. In order to promote consistency, a standardized form will be developed and circulated to the HSSC members to record their decisions and the rationale behind those decisions.* Recommendation 2 remains open pending notification that the standardized form has been developed and used to record HSSC decisions.

Need for a mechanism for periodic reporting of salary survey results

22.   OHRM did not have a mechanism to report its activities with regard to the salary determination process periodically to CEB, which assigned OHRM the responsibility for managing the surveys. Conversely, both ICSC and the World Bank submitted a summary of the results of their salary surveys to the General Assembly and the World Bank Executive Board respectively, which had delegated the responsibility to them. ICSC also provided a detailed report to entities with a large number of staff at the concerned duty station. Given the high financial implications of the salary scale determination process, a mechanism to report the survey results and other relevant information to key decision makers was essential.

> **(3) OHRM should institute a mechanism for reporting the consolidated results of salary surveys and other relevant information, including the financial implications, periodically to an appropriate body to enhance accountability and transparency.**
>
> *OHRM accepted recommendation 3 and stated that annually a report will be prepared for the Human Resources Network that will detail the results of the comprehensive and interim salary surveys that were concluded for a particular calendar year. The financial implications will be estimated on the same basis as was used in the audit report. The first report will be prepared in mid-2014 at the conclusion of the 2013 salary surveys.* Recommendation 3 remains open pending receipt of a copy of the first annual report on the results of salary surveys presented to the CEB through the Human Resources Network.

Interim survey procedures and monitoring activities needed to be strengthened

23.   The objective of the interim survey was to ensure that United Nations salaries continued to reflect the salary trends of comparator employers. Interim surveys consisted of desk reviews based on the information collected by LSSC on revised salary scales of comparator employers included in the most recent comprehensive survey and the latest tax code of the country. However, there was no independent verification of information provided, and interim survey results were approved by the Chief, CCS without a review by HSSC.

24.   Insufficient verification and review procedures were noted in all sampled cases. The implications of this control weakness, however, were pronounced in respect of interim surveys in Thailand. During the interim surveys between 2006 and 2010, OHRM increased the existing salary scales by 6 to 7.5 per cent annually based on information submitted by LSSC. However, during the comprehensive salary survey in 2011, OHRM noted that the salary scales of the employers had either remained unchanged or had changed minimally since 2006. There was no evidence to demonstrate how OHRM resolved the issue of inaccuracy of data provided during the interim surveys with LSSC.

25.   OHRM explored the possibility of conducting on-site interim surveys at bigger duty stations such as Bangkok in 2012 to ensure that data collected and utilized in the interim survey analyses were accurate. However, OHRM had not yet taken any decision in this regard.

> **(4) OHRM should strengthen the interim salary survey procedures, including independently verifying the information collected by the Local Salary Survey Committee and introducing appropriate reviews based on an assessment of risks.**
>
> *OHRM accepted recommendation 4 and stated that a standardized checklist will be developed to enhance the effectiveness of a review of the results of interim salary surveys. The checklist will focus upon potential areas of weakness that may have been overlooked or pose the greatest risk in terms of error. In order to enhance the integrity of data collection in a limited number of duty stations, the interim survey will be conducted on the basis of an onsite visit with OHRM actively participating in the data collection. Furthermore, on an ad hoc basis, data collected from frequently surveyed local offices of comparator organizations will be verified with their headquarters.* Recommendation 4 remains open pending notification that the proposed actions to strengthen the interim survey procedures have been implemented.

OHRM developed a guiding principle that would require issuance of secondary salary scales

26.   The differences between the current salary scales and the survey results, which could be positive or negative, lead to either an upward or downward revision of salary scales or maintenance of existing scales. Although the salary scales normally were revised upwards on positive survey results, there was no specific guidance in the methodology on the course of action in the event of negative survey results. ICSC adopted a practice of consistently recommending salary scales that were lower than the existing scales when the survey results were negative, but OHRM did not always do this.

27.   During the audit, OHRM developed, in consultation with ICSC, a guiding principle that would require issuance of secondary salary scales applicable to the newly recruited staff members when a survey result yielded a negative outcome greater than 5 percent and this was now reflected in the survey manual. Hence, OIOS is not making a recommendation in this regard.

B.   Project management capacity

<u>OHRM established project planning and tracking mechanisms</u>

28.   The Chief, CCS considered factors such as familiarity with the region, complexity of the survey, size of the duty stations, availability of specialists, historical background, security and safety and language proficiency of salary survey specialists in allocating them to various duty stations. Milestones in the process were monitored through a Lotus Notes-based salary survey tracking database. OHRM developed a global comparator table that matched benchmarks in the United Nations with those at nine public and seven private sector companies to enhance the efficiency of the salary scale determination process. OHRM also created a database that reflected and automatically updated job matches made during comprehensive surveys. OHRM promulgated an updated salary survey manual in February 2013 to reflect the changes in the ICSC methodology revised in 2012. However, OHRM needed to focus on the areas noted below to strengthen internal controls in the process.

<u>OHRM needed to improve the IT tool for conducting salary surveys</u>

29.   OHRM did not have an adequate and effective IT tool to record, analyze and report salary survey data. OHRM inherited a Microsoft Excel-based tool called B6 from UNDP and customized it based on internal discussions and needs assessment. The IT tool consisted of three worksheets namely: (a) individual employer worksheet to record employers' salary data; (b) consolidated employer worksheet; and (c) a template of the report of the comprehensive salary survey to the HSSC.

30.   There were a number of control weaknesses related to the use of the IT tool including: (a) the worksheets were not password-protected; (b) formulas in the worksheets were not locked to prevent accidental or unauthorized modifications; (c) there were no explanations of the codes used for performing several calculations and processes in the Excel sheets; (d) there were no built-in validation checks such as "Net Pay should not exceed Gross Pay".

31.   The potential consequences of a mistake in the salary scale calculations done through the IT tool were high. For example, an incorrect formula relating to a tax calculation resulted in net salaries being higher than gross salaries for comparator employers and led to an upward revision of United Nations salary scales in Chile. This incorrect formula went undetected for five years from 2005 to 2010 and was finally corrected during the comprehensive salary survey in 2011.

> **(5) OHRM should design and implement procedures to strengthen the information technology tool used for salary surveys including enabling password protections and instituting validation checks.**
>
> *OHRM accepted recommendation 5 and stated that this would require harnessing expertise from outside OHRM in order to develop an IT tool that can enhance the security of the Excel worksheets by applying password protection and validation checks.* Recommendation 5 remains open pending notification that the procedures to strengthen the information technology tool used for salary surveys have been implemented.

Decisions taken during the salary scale determination process were not adequately supported by required documentation

32.   Salary survey specialists completed comprehensive salary survey reports in the prescribed format at the end of each survey for submission to the HSSC. However, in the surveys selected for detailed review, there was inadequate supporting documentation on how the criteria in the ICSC methodology were applied to identify the initial list of comparator employers to be surveyed. The application of the criteria was critical because the composition of the comparator employers could influence the outcome of the survey. Similarly, there was no comprehensive information to support the decisions taken during the data collection and data analysis phases such as reasons for changes to the composition of comparator employers from the previous survey, criteria used to determine taxes in the calculation of net salaries of comparator employers, and factors considered in matching United Nations jobs with specific jobs of comparator employers. This was partly due to the fact that the standardized templates did not require this level of detail. Consequently, there was an insufficient audit trail to demonstrate due diligence in the decision making process.

> **(6) OHRM should expand standardized templates to include documentation to support key decisions in the salary scale determination process.**
>
> *OHRM accepted recommendation 6 and stated that a standardized checklist will be developed that covers the survey preparation, the selection of employers to be retained, the jobs to be analyzed, and the rationale behind any changes to the construction of the resulting salary scale, including the technical peer review of the interim and comprehensive surveys.* Recommendation 6 remains open pending notification that the standardized checklist has been developed and implemented.

A quality control programme needed to be developed

33.   OHRM did not incorporate a comprehensive quality control programme in the salary survey manual that covered the operational aspects of the salary scale determination process. In addition, the survey specialists did not use tools such as checklists for each stage of the process to have assurance that they complied with required provisions in the methodology. Although OHRM adopted an informal system of peer reviews, staring in July 2012, whereby survey results were reviewed by another specialist, these reviews were not documented. OHRM stated that peer reviews resulted in the correction of errors in the comprehensive salary surveys in Uruguay and Copenhagen. However, this could not be verified as the related peer reviews were not documented. The Chief, CCS did not conduct in-depth technical reviews of the process as a supervisor of the section but rather reviewed salary survey outcomes in his capacity as the HSSC chairman after the completion of the surveys.

> **(7) OHRM should incorporate in the salary survey manual an appropriate quality control programme covering all aspects of the salary scale determination process. This could also include checklists to improve compliance with the salary survey methodology and technical reviews at the supervisor level.**
>
> *OHRM accepted recommendation 7 and stated that the salary survey manual will be revised to include standardized checklists to strengthen interim survey procedures and to improve documentation of the salary scale determination process.* Recommendation 7 remains open pending notification that an appropriate quality control programme, that includes standardized checklists and formal peer and technical supervisory reviews, has been incorporated in the salary survey process.

Independent translators/interpreters were not used to assist specialists in salary surveys

34.   Independent translators/interpreters were not hired to assist salary survey specialists in countries that did not use any of the official United Nations languages. Except for the comprehensive salary survey in Thailand, where OHRM outsourced the translation of salary-related documents provided by comparator employers to a private company, there was no arrangement for hiring independent translators/interpreters to ensure accurate translation of information obtained. Although OHRM incorporated the provision to use interpreters in the survey manual, it had not yet issued detailed operational guidelines or allocated financial resources in the budget.

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(8) OHRM should issue standardized terms of reference on the use of independent interpreters to assist salary survey specialists in countries that do not use any of the official United Nations languages, and also allocate financial resources for such interpreters in its budgets to improve the efficiency and effectiveness of the salary survey process.

OHRM accepted recommendation 8 and stated that standardized terms of reference will be developed and included in the communication to the duty stations at the first stage of each comprehensive salary survey. Recommendation 8 remains open pending notification that standard terms of reference on the use of independent interpreters have been issued and the required financial resources allocated in the budget.

Training materials needed to be more widely available

35.   During the period under review, OHRM conducted 11 three-day workshops to train LSSC members on salary surveys. The number of participants at each workshop ranged from 25 to 30 and a total of 270 were trained out of a total estimated 1,700[6] LSSC members. Each participant paid a fee of $800. The salary survey specialists from OHRM provided hands-on training on various procedures including job-matching. These workshops were well received by the participants.

36.   LSSC members of the selected duty stations expressed concern that the workshops were not accessible due to cost and limitations on the number of participants from each office. *OHRM stated that the workshops had been conducted over several years and in total, since 2006, it is estimated some 1,000 LSSC members have participated in the workshops. The workshop participants were provided with the materials in electronic format and were encouraged to brief members of the LSSC upon return to their duty stations.* Considering that OHRM had agreed to post the training materials on its website to provide non-participants access to materials presented during each workshop and make it mandatory that participants in regularly offered salary survey workshops get actively involved in local salary survey committees, OIOS is not making a recommendation in this regard.

External training to the salary survey specialists

37.   Except for participating in salary survey workshops conducted by CCS and on-the job training, the salary survey specialists did not undergo any external training on salary surveys. OHRM acknowledged the need for providing external training to the salary survey specialists to understand industry practices, methods and trends and to update their skills. Hence, OIOS is not making a recommendation in this regard.

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[6] Estimated taking an average of 10 LSSC members at each of the 168 non-Headquarters duty stations.

IV.   ACKNOWLEDGEMENT

38.   OIOS wishes to express its appreciation to the Management and staff of OHRM 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

Audit of the process for determining locally recruited staff salary scales at non-Headquarters duty stations

Recom. no.	Recommendation	Critical[7]/ Important[8]	C/ O[9]	Actions needed to close recommendation	Implementation date[10]
1	OHRM should clarify the arrangements relating to the review and approval of revised salary scales including ensuring that: (i) members of the Headquarters Salary Steering Committee (HSSC) are independent of operational responsibilities in the salary scale determination process; and (ii) the names of members and terms of reference of the HSSC are communicated in writing to the organizations of the United Nations common system.	Important	O	Notification that the names of the members of HSSC (who are operationally independent of the process) and the committee's terms of reference have been communicated to the CEB.	31 January 2014
2	OHRM should formally record the decisions of members of the Headquarters Salary Steering Committee, which are used as the basis for revising salary scales.	Important	O	Notification that a standardized form has been developed and used to record HSSC decisions.	31 January 2014
3	OHRM should institute a mechanism for reporting the consolidated results of salary surveys and other relevant information, including the financial implications, periodically to an appropriate body to enhance accountability and transparency.	Important	O	Receipt of a copy of the first annual report on the results of salary surveys presented to the CEB through the Human Resources Network.	30 June 2014
4	OHRM should strengthen the interim salary survey procedures, including independently verifying the information collected by the Local Salary Survey Committee and introducing appropriate reviews based on an assessment of risks.	Important	O	Notification that the proposed actions such as developing standardized checklist, onsite visits to a selected duty stations and data verification measures to strengthen the interim survey procedures have been implemented.	31 January 2014
5	OHRM should design and implement procedures to strengthen the information technology tool used for	Important	O	Notification that the procedures to strengthen the information technology tool used for salary	30 April 2014

[7] 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.

[8] 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.

[9] C = closed, O = open

[10] Date provided by DM in response to recommendations.

STATUS OF AUDIT RECOMMENDATIONS

Audit of the process for determining locally recruited staff salary scales at non-Headquarters duty stations

Recom. no.	Recommendation	Critical[7]/ Important[8]	C/ O[9]	Actions needed to close recommendation	Implementation date[10]
	salary surveys including enabling password protections and instituting validation checks.			surveys have been implemented.	
6	OHRM should expand standardized templates to include documentation to support key decisions in the salary scale determination process.	Important	O	Notification that the standardized checklist has been developed and implemented.	31 January 2014
7	OHRM should incorporate in the salary survey manual an appropriate quality control programme covering all aspects of the salary scale determination process. This could also include checklists to improve compliance with the salary survey methodology and technical reviews at the supervisor level.	Important	O	Notification that an appropriate quality control programme, that includes standardized checklists and formal peer and technical supervisory reviews, has been incorporated in the salary survey process.	31 January 2014
8	OHRM should issue standardized terms of reference on the use of independent interpreters to assist salary survey specialists in countries that do not use any of the official United Nations languages, and also allocate financial resources for such interpreters in its budgets to improve the efficiency and effectiveness of the salary survey process..	Important	O	Notification that standard terms of reference on the use of independent interpreters have been issued and the required financial resources have been allocated in the budget.	31 January 2014

APPENDIX I

Management Response

TO: A:	Ms. Carmen Vierula, Chief New York Audit Service, Internal Audit Division Office of Internal Oversight Services	DATE:	13 August 2013

THROUGH: Christian Saunders, Director
S/C DE: Office of the Under-Secretary-General for Management

FROM: Mario Baez, Chief, Policy and Oversight Coordination Service
DE: Office of the Under-Secretary-General for Management

SUBJECT: **Draft report on an audit of the process for determining locally recruited staff**
OBJET: **salary scales at non-Headquarters duty stations (Assignment No. AH2012/512/02)**

1.   In response to your memorandum dated 18 July 2013 on the above subject, we are pleased to provide the comments of the Department of Management to the recommendations in the draft report in Appendix I.

2.   Thank you for providing us with the opportunity to comment on the draft report.

United Nations   Nations Unies

INTEROFFICE MEMORANDUM   MEMORANDUM INTERIEUR

AUDIT RECOMMENDATIONS

Audit of the process for determining locally recruited staff salary scales at non-Headquarters duty stations

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	OHRM should clarify the arrangements relating to the review and approval of revised salary scales including ensuring that: (i) members of the Headquarters Salary Steering Committee (HSSC) are independent of operational responsibilities in the salary scale determination process; and (ii) the names of members and terms of reference of the HSSC are communicated in writing to the organizations of the United Nations common system.	Important	Yes	Chief, Compensation and Classification Section	31 January 2014	The Terms of Reference, including the names of the members of the HSSC will be prepared and forwarded to the CEB.

[1] 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.

[2] 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.

United Nations Nations Unies

INTEROFFICE MEMORANDUM   MEMORANDUM INTERIEUR

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
2	OHRM should formally record the decisions of members of the Headquarters Salary Steering Committee, which are used as the basis for revising salary scales.	Important	Yes	Chief, Compensation and Classification Section	31 January 2014	This is an ongoing process for each of the surveys that are reviewed by the HSSC. In order to promote consistency a standardized form will be developed that will be circulated to the HSSC members to record the decisions and rationale behind those decisions.
3	OHRM should institute a mechanism for reporting the consolidated results of salary surveys and other relevant information, including the financial implications, periodically to an appropriate body to enhance accountability and transparency.	Important	Yes	Chief, Compensation and Classification Section	30 June 2014	Annually a report will be prepared for the HR network that will detail the results of the comprehensive and interim salary surveys that have been concluded for a particular calendar year. The financial implications will be estimated on the same basis as was used in the audit report. The first report will be prepared in mid-2014 at the conclusion of the 2013 salary surveys.

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
4	OHRM should strengthen the interim salary survey procedures, including independently verifying the information collected by the Local Salary Survey Committee and introducing appropriate reviews based on an assessment of risks.	Important	Yes	Chief, Compensation and Classification Section	31 January 2014	A standardized checklist will be developed to enhance the effectiveness of a review of the results of interim salary surveys. The checklist will focus upon potential areas of weakness that may have been overlooked or pose the greatest risk in terms of error. In order to enhance the integrity of data collection in a limited number of duty stations the interim survey will be conducted on the basis of an onsite visit with OHRM actively participating in the data collection. Furthermore, on an ad hoc basis, data collected from frequently surveyed local offices of comparator organizations will be verified with their headquarters.
5	OHRM should design and implement procedures to strengthen the information technology tool used for salary surveys including enabling password protections and instituting validation checks.	Important	Yes	Chief, Compensation and Classification Section	30 April 2014	This will require harnessing expertise from outside OHRM in order to develop an IT tool that can enhance the security of the Excel worksheets to apply password protection and validation checks.

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
6	OHRM should expand standardized templates to include documentation to support key decisions in the salary scale determination process.	Important	Yes	Chief, Compensation and Classification Section	31 January 2014	A standardized checklist will be developed that covers the survey preparation, the selection of employers to be retained, the jobs to be analyzed, and the rationale behind any changes to the construction of the resulting salary scale, including the technical peer review of the interim and comprehensive surveys.
7	OHRM should incorporate in the salary survey manual an appropriate quality control programme covering all aspects of the salary scale determination process. This could also include checklists to improve compliance with the salary survey methodology and technical reviews at the supervisor level.	Important	Yes	Chief, Compensation and Classification Section	31 January 2014	The salary survey manual will be revised to include items 4 and 6 above.

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
8	OHRM should issue a standardized terms of reference on the use of independent interpreters to assist salary survey specialists in countries that do not use any of the official United Nations languages and allocate financial resources in the budget to improve the efficiency and effectiveness of salary survey process.	Important	Yes	Chief, Compensation and Classification Section	31 January 2014	A standardized Terms of Reference will be developed and included in the communication to the duty stations at the first stage of each comprehensive salary survey.