



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/083

Audit of recruitment of staff and other personnel at the United Nations Human Settlements Programme

Overall results relating to the efficient and effective recruitment of staff and other personnel at the United Nations Human Settlements Programme were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

09 October 2013

Assignment No. AA2012/250/04

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AUDIT REPORT

Audit of recruitment of staff and other personnel at the United Nations Human Settlements Programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of recruitment of staff and other personnel at the United Nations Human Settlements Programme (UN-Habitat).
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. According to Article 101 of the Charter of the United Nations, “staff shall be appointed by the Secretary-General under the regulations established by the General Assembly...The paramount consideration in the employment of the staff and determination of conditions of service shall be the necessity of securing the highest standards of efficiency, competence, and integrity”. Staff recruitment at UN-Habitat was governed by the United Nations Staff Regulations and Rules and the Human Resources Handbook. During 2011 and 2012, UN-Habitat recruited 72 staff members of which 52 (72 per cent) were in the Professional category and 20 (28 per cent) were in the General Service category.
4. UN-Habitat recruited staff for its Headquarters through the United Nations Office at Nairobi (UNON). For its field offices, UN-Habitat utilized staff of other United Nations organizations including the United Nations Development Programme (UNDP) and the United Nations Office for Project Services (UNOPS). In addition, UN-Habitat contracted private organizations to provide human resources to some UN-Habitat field offices such as in Pakistan, Afghanistan, Brazil and Japan.
5. As at 31 December 2012, UN-Habitat had 382 staff members. Forty-two percent of the staff members were funded through projects, while the United Nations Habitat and Human Settlements Foundation and the Regular Budget accounted for 22 per cent and 21 per cent respectively. The remaining staff members (15 per cent) were funded through overheads.
6. Comments provided by UN-Habitat and UNON are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UN-Habitat governance, risk management and control processes in providing reasonable assurance regarding **effective and efficient recruitment of staff and other personnel at UN-Habitat**.
8. OIOS included the assignment in the 2012 internal audit work plan because the risks arising from potential problems in recruitment and retention of staff, and the resultant impact on the successful implementation of the UN-Habitat programme, were assessed as high. Therefore, it was important to review the adequacy and effectiveness of internal controls that mitigate this risk.

9. The key controls tested for the audit were: (a) human resources targets and strategies; (b) recruitment and promotion policies and procedures; and (c) delegation of authority system. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Human resources targets and strategies** - Controls that provide reasonable assurance that human resources targets and strategies are set to ensure the recruitment and retention of competent staff.

(b) **Recruitment and promotion policies and procedures** - Controls that provide reasonable assurance that recruitment and promotion of staff are performed in accordance with the applicable regulations, rules and procedures.

(c) **Delegation of authority system** - Controls that provide reasonable assurance that delegation of authority is in accordance with the relevant regulations and rules and is exercised appropriately. This control also includes periodic reporting and monitoring of the delegated authority.

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

11. OIOS conducted the audit from February to April 2013. The audit covered the period from January 2011 to December 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. In OIOS’ opinion, UN-Habitat governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding **effective and efficient recruitment of staff and other personnel at UN-Habitat**. OIOS made four recommendations in the report to address issues identified in the audit. There were significant delays in the recruitment process which needed to be addressed. UN-Habitat also needed to ensure that interviews are only conducted by staff who had undertaken the mandatory training on competency-based interviewing. UNON had not performed background checks for most of the UN-Habitat staff recruited during 2011 and 2012. With regard to delegation of authority, there was a need for a cost benefit analysis of the arrangements in place for obtaining human resources through third parties to ensure that they are efficient and effective. Both UN-Habitat and UNON accepted and initiated steps to implement the recommendations.

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 four 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
Effective and efficient recruitment of staff and other personnel at UN-Habitat	(a) Human resources targets and strategies	Partially satisfactory	Partially satisfactory	Not assessed	Partially satisfactory
	(b) Recruitment and promotion policies and procedures	Partially satisfactory	Satisfactory	Not assessed	Partially satisfactory
	(c) Delegation of authority system	Partially satisfactory	Satisfactory	Partially satisfactory	Satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Human resources targets and strategies

Need to reduce recruitment timelines

15. UN-Habitat timelines for staff recruitment were longer than the targets set in the Human Resources Management (HRM) scorecard and the Senior Managers compact. It took UN-Habitat 282 days and 134 days to complete recruitment activities in 2011 and 2012, respectively. This was beyond the target of 64 days set in the HRM scorecard and 92 days stated in the UN-Habitat Executive Director's compact.

16. According to data for 2012 from the HRM scorecard, delays occurred mainly at three stages in the recruitment process, as follows:

(a) Recommendation of candidates took an average of 79 days against the target of 40 days;

(b) Endorsement by the Nairobi Central Review Board took an average of 31 days whereas the target was seven days; and

(c) Selection by Head of Division/ Head of Office took an average of 44 days against the target of five days.

17. UN-Habitat attributed the delays mainly to technical problems with the United Nations recruitment system (Inspira) and explained that functionalities relating to recruitment were rolled out at different times. Data had to be processed retroactively which led to distortion in the reported performance especially on statistics relating to selection by Head of Division/Head of Office. Furthermore, there were times when the system was not available which also contributed to delays in processing recruitment actions. UNON confirmed that in 2011, there were technical problems with Inspira that adversely impacted on the accuracy of reports relating to the HRM scorecard. However, in

2012, the problems had largely been resolved. As regards delays in endorsement by the Nairobi Central Review Board, both UN-Habitat and UNON explained that they had difficulties in having staff available to serve on the Board, as these functions were performed on a part time basis.

18. Delay in recruitment results in staff not being available to perform functions necessary for effective programme implementation. In its resolution 62/236, the General Assembly emphasized the need to recruit staff expeditiously through proper planning and by streamlining personnel practices and procedures to undertake necessary measures to reduce the vacancy rates in order to effectively deliver mandated programmes and activities.

(1) UN-Habitat should address the delays in recruitment of staff by performing recruitment activities within the set targets. These recruitment activities include recommendation of candidates and selection by Heads of Departments/Heads of Offices.

19. *UN-Habitat accepted recommendation 1 and stated that it would endeavor to comply with stipulated timelines for the processes under its direct control.* Recommendation 1 remains open pending receipt of evidence showing that UN-Habitat has complied with the set targets for recruitment of staff.

B. Recruitment and promotion policies and procedures

Staff recruitment procedures were generally complied with

20. UN-Habitat generally complied with the policies and procedures relating to staff recruitment. Posts were classified before vacancies were advertised. All the job openings had appropriate criteria for evaluating the competencies of applicants. There was evidence that shortlisted candidates had met the evaluation criteria as defined in the job openings. The Nairobi Central Review Board reviewed the recruitment cases before selections were made by Heads of Divisions/Heads of Offices.

21. However, there was a need to strengthen the implementation of two controls relating to interviews and background checks. Firstly, only nine out of 27 panelists who conducted interviews had undertaken the mandatory training in competency-based interviewing. Therefore, there was a risk that interviews may not be conducted by qualified interviewers, which could result in inconsistent evaluation of candidates, failure to identify the most suitable candidates, and litigation by staff members who may have been overlooked for promotion. Secondly, of the 13 cases reviewed during the audit, UNON had completed background checks in only one case. UNON explained that there had been delays in receiving feedback from learning institutions, previous employers and referees. In fact some learning institutions had even been requesting for payment to provide the service. While OIOS takes note of these explanations, the conduct of background checks is an essential control to mitigate the risk of recruiting unqualified/unsuitable staff that may not be able to effectively carry out their functions, besides the risk of misrepresentation or fraud.

(2) UN-Habitat should strengthen controls relating to staff recruitment by ensuring that interviews are only conducted by staff who are trained in competency-based interviewing.

22. *UN-Habitat accepted recommendation 2 and stated that it would endeavor to enlarge the net base of staff that had completed competency-based interviewing training by promoting staff participation when the courses are made available by UNON. Furthermore, all hiring managers would be alerted to the requirement that only staff that had undertaken the training would sit on interview panels.* Recommendation 2 remains open pending confirmation by UN-Habitat that hiring managers have been advised that only staff who had undertaken competency-based training would constitute interview panels.

(3) UNON should conduct background checks for all newly-recruited staff to ensure that only qualified candidates are recruited and retained.

23. UNON accepted recommendation 3 and stated that it would ensure that reference check requests were issued on all recruitment cases. However, judging by past experience, it would not guarantee that all addressees will respond and cooperate. UNON will review the current procedures and identify ways that will help improve the response rate. Recommendation 3 remains open pending receipt of evidence from UNON showing that it has cleared the backlog of background checks for staff recruited for UN-Habitat during 2011 and 2012.

C. Delegation of authority system

Arrangements for provision of personnel by third parties need to be reviewed

24. According to the Secretary-General's Bulletin on the organization of UNON (ST/SGB/2009/3), one of the key functions of UNON is to provide administrative and other support functions, including human resources management services, to UN-Habitat.

25. For its field offices, UN-Habitat utilized personnel provided by other United Nations organizations such as UNDP and UNOPS. In addition, UN-Habitat also contracted private organizations, using procurement institutional contracts, to provide personnel to the UN-Habitat offices in Pakistan, Afghanistan, Brazil and Japan. The volume of personnel provided by other UN organizations and third parties was significant. For example, the UN-Habitat Regional Office for Asia and the Pacific had over 1,000 personnel provided by third parties at the end of 2011 and 2012 as summarized in Table 2 below.

Table 2: Personnel provided by third parties to UN-Habitat Regional Office for Asia and the Pacific

Year	Number of personnel from private human resource service providers	Number of UNDP personnel	Number of UNOPS personnel	Total number of personnel provided by third parties
2011	1,434	119	238	1,791
2012	943	98	336	1,377

Source: UN-Habitat

26. Given the significant volume of personnel provided by third parties, UN-Habitat incurred significant expenditures for the services received. For example, in Afghanistan, UN-Habitat made payments to a contractor totaling \$7.6 million in 2012, including management fees of about \$1.2 million. Similarly, in the same year, in Pakistan, UN-Habitat made payments of \$2.9 million to a contractor, including management fees of \$163,217. In 2012, UN-Habitat expenditure on UNOPS personnel was \$1 million including management fees of \$45,490. The monthly expenditure billed by the human resource service providers included employee salaries and related costs such as insurance, management fees and other benefits where applicable. Management fees ranged from 5 to 15 percent of the monthly expenditure.

27. There was a need to explore the feasibility of consolidating the procurement of personnel for field offices and assess whether UN-Habitat could achieve economy and efficiency by obtaining such personnel through UNON. UN-Habitat indicated that it had, in some cases, started obtaining such personnel through UNON. UN-Habitat would still need to continue to obtain the services of certain

categories of personnel through third parties in challenging locations such as Iraq, Pakistan and Afghanistan mainly due to security, legal and other considerations.

(4) UN-Habitat, in collaboration with UNON, should undertake a cost benefit analysis of having UNON obtain the services of personnel on behalf of UN-Habitat in field offices where feasible.

28. *UN-Habitat accepted recommendation 4 and stated that it will consult with other UN agencies to undertake a cost benefit analysis.* Recommendation 4 remains open pending receipt of the results of a cost benefit analysis of UNON obtaining the services of personnel on behalf of UN-Habitat in field offices.

IV. ACKNOWLEDGEMENT

29. OIOS wishes to express its appreciation to the Management and staff of UN-Habitat and UNON 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 recruitment of staff and other personnel at the United Nations Human Settlements Programme

Recom. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UN-Habitat should address the delays in recruitment of staff by performing recruitment activities within the set targets. These recruitment activities include recommendation of candidates and selection by Heads of Departments/Heads of Offices.	Important	O	Receipt of evidence showing that UN-Habitat has complied with set targets in staff recruitment.	31 December 2013
2	UN-Habitat should strengthen controls relating to staff recruitment by ensuring that interviews are only conducted by staff who are trained in competency-based interviewing.	Important	O	Receipt of evidence that UN-Habitat has advised hiring managers that only staff who had undertaken competency-based training would constitute interview panels.	31 August 2013
3	UNON should conduct background checks for all newly-recruited staff to ensure that only qualified candidates are recruited and retained.	Important	O	Receipt of evidence from UNON showing that it has cleared the backlog of background checks for staff recruited for UN-Habitat during 2011 and 2012.	31 December 2014
4	UN-Habitat, in collaboration with UNON, should undertake a cost benefit analysis of having UNON obtain the services of personnel on behalf of UN-Habitat in field offices where feasible.	Important	O	Receipt of the results of a cost benefit analysis of UNON obtaining the services of personnel on behalf of UN-Habitat in field offices.	31 March 2014

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.

³ C = closed, O = open

⁴ Date provided by UN-Habitat and UNON in response to recommendations.

APPENDIX I

Management Response

United Nations Human Settlements Programme's Response

MEMORANDUM

To: Mr. Gurpur Kumar, Deputy Director
Internal Audit Division
OIOS

Reference:

From: Dr. Joan Clos
Under-Secretary-General and
Executive Director of UN-Habitat

Date: 9 September 2013

Subject: **Comments on the Draft Report on the Audit of recruitment of staff and other personnel at the United Nations Human Settlements Programme**

I refer to your Draft Report on the Audit of recruitment of staff and other personnel at the United Nations Human Settlements Programme dated 5 August 2013 addressed to the Executive Director of UN-Habitat and requesting comments.

I am pleased to present UN-Habitat comments in the attached Appendix I. We take this opportunity to thank the Office of Internal Oversight services (OIOS) for the services it provided to UN-Habitat on the above-mentioned audit.

MANAGEMENT RESPONSE

Audit of recruitment of staff and other personnel at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UN-Habitat should address delays in recruitment of staff by performing recruitment activities within set targets. These recruitment activities include recommendation of candidates; and selection by Heads of Departments/Heads of Offices.	Important	Yes	Human Resources Liaison Officer	31 December 2013	UN-Habitat will endeavor to comply with stipulated timelines for the processes under its direct control.
2	UN-Habitat should strengthen controls relating to staff recruitment by ensuring that interviews are only conducted by staff who had undertaken competence based interviewing training.	Important	Yes	Human Resources Liaison Officer	31 August 2013	UN-Habitat will endeavor to enlarge the net base of staff who have completed the CBIS, by promoting staff participation when the courses are made available by UNON. Furthermore, all Hiring Managers will be alerted to the requirement that only CBIS trained staff sit on interview panels, and informed of staff have undertaken the training.
3	UNON should conduct back ground checks for all staff recruited to ensure that only qualified staff are recruited and retained.	Important				
4	UN-Habitat, in collaboration with UNON, should undertake a cost benefit analysis of having UNON obtain the services of personnel on behalf of UN-Habitat in field offices where feasible.	Important	Yes	Human Resources Liaison Officer	31 March 2014	UN-Habitat will consult with other UN agencies to undertake a cost-benefit analysis.

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 Office at Nairobi's Response

United Nations  Nations Unies

INTEROFFICE MEMORANDUM MÉMORANDUM INTÉRIEUR
UNITED NATIONS OFFICE AT NAIROBI

TO: Mr Gurpur N. Kumar, Deputy Director,
A: Internal Audit Division, OIOS

DATE: 23 September, 2013

FROM: Chris Kirkcaldy, Director a.i.,
DE: Division of Administrative Services

SUBJECT: **OIOS IAD Assignment no. AA2012/250/04 - Audit
OBJET: of recruitment of staff and other personnel a
the United Nations Human Settlements Programme
- draft report response**

With reference to your memorandum requesting our comments on the draft report on subject audit, please find attached Appendix 1 with UNON's comments on recommendation three. As recommended, UNON will also collaborate with UN-Habitat regarding recommendation four.

May we take this opportunity to express our gratitude for the professional manner in which the audit was conducted.

CC: Ms Sahle-Work Zewde
Ms Anna Halasan
Ms Agness Chilinda

MANAGEMENT RESPONSE

Audit of recruitment of staff and other personnel at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UN-Habitat should address delays in recruitment of staff by performing recruitment activities within set targets. These recruitment activities include recommendation of candidates; and selection by Heads of Departments/Heads of Offices.	Important				
2	UN-Habitat should strengthen controls relating to staff recruitment by ensuring that interviews are only conducted by staff who had undertaken competence based interviewing training.	Important				
3	UNON should conduct back ground checks for all staff recruited to ensure that only qualified staff are recruited and retained.	Important	Yes	Officer-in-Charge, Recruitment and Planning Section, HRMS	31 Dec 2014	UNON will ensure that reference check requests are issued on all recruitment cases. However, judging by past experience, we cannot guarantee that all addressees will respond and cooperate. We will review the current procedures and identify ways that will help improve the response rate.
4	UN-Habitat, in collaboration with UNON, should undertake a cost benefit analysis of having UNON obtain the services of personnel on behalf of UN-Habitat in field offices where feasible.	Important				

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.