



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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**Management of the United Nations Centre for  
Regional Development (UNCRD)**

**There is a need to significantly strengthen the  
Centre's substantive and administrative  
management**

**22 July 2009**

**Assignment No. AN2008/540/02**

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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 Mr. Sha Zukang, Under-Secretary-General  
A Department of Economic and Social Affairs (DESA)

DATE 22 July 2009

REFERENCE IAD: 09-07690

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

*Fatou*

SUBJECT **Assignment No. AN2008/540/02 - Audit of the management of the United Nations Centre for  
OBJET Regional Development (UNCRD)**

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 2, 4 and 8 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 1, 11, 12 and 17), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Haiyan Qian, Director, DPADM  
Mr. Tariq Banuri, Director, DSD  
Mr. Kazunobu Onogawa, Director, UNCRD  
Mr. Nikolai Zaitsev, Head, Capacity Development Office  
Ms. Marie Oveissi, Officer-in-Charge, TCMS  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat  
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management  
Mr. Byung-Kun Min, Programme Officer, OIOS  
Mr. William Petersen, Chief, New York Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

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

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## EXECUTIVE SUMMARY

### Management of the United Nations Centre for Regional Development (UNCRD)

OIOS conducted an audit of the management of the United Nations Centre for Regional Development (UNCRD). The overall objectives of the audit were to assess the: (a) adequacy and effectiveness of internal controls over strategic management and governance, programme management, financial management, administration, and human resources management; and (b) compliance with United Nations Regulations and Rules. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Oversight and management of UNCRD was guided by a number of instruments including the Government of Japan's (GOJ) agreement with the UN (18 June 1971), the UNCRD General Guidelines for Programme Implementation, 1999, and DESA's Manual for Chief Technical Advisers (CTA Manual), 1983. The combination of directives from these guidelines prescribed multiple oversight mechanisms for managing UNCRD. However, DESA was unable to comply with these requirements and provide effective oversight over the Centre's programme of work and administrative activities.

DESA's input in the strategic planning process was limited primarily because of delays in UNCRD work plan submissions to DESA and delays in DESA's internal review process. Although UNCRD's programme had shifted its focus to activities related to sustainable development, it continued to be monitored by DESA's Division for Public Administration and Development Management. Additionally, DESA took an average of 147 working days, or 6.7 months for processing the approval of 10 projects during 2006-2008.

There was a decline in the Centre's publications during the years 2000 to 2008, and only twelve publications were planned in the years 2006-2008. Donor funding had declined from \$6.4 million in 1997 to \$3.2 million in 2008, and the Africa field office was particularly affected by this decline in funding. UNCRD partnerships with a number of donors and non-traditional partners were not formalized through memorandums of understanding resulting in a lack of transparency and a risk to the UN's reputation. Despite DESA's advice to plan the use of funds for the programme, UNCRD maintained an operating reserve of 68 per cent of its planned expenses in 2008, an amount significantly higher than the practice followed in the Technical Cooperation Management Services (TCMS).

As certifying and approving officers, the UNCRD Director and the Chief Administrative Officer (CAO) violated the delegation of authority by signing a contract and lease agreement which was not approved by the Procurement Division. The UN Controller in his memorandum of 15 August 2008 strongly reprimanded both the UNCRD Director and CAO on their unauthorized actions, stating that any future unauthorized actions would result in a removal of their respective delegations of authority as certifying and approving officers.

As a general guideline, UNCRD was advised that DESA requires six weeks to process financial authorizations. OIOS' review of 14 authorizations indicated that approvals actually took from 12 to 23 weeks after exchanges of several emails between UNCRD and DESA. The delays in financial authorizations were the result of a complex approval procedure which generated a large number of requests for authorization. Approximately 400 authorizations were processed for UNCRD from 2006-2008.

UNCRD has been delegated authority for the recruitment of temporary staff on special service agreements. A review of the guidelines and instructions indicated a lack of clarity in the UNCRD Director's delegated authority with respect to the recruitment, status, and conditions of service of the Centre's staff. UNCRD's staffing structure showed that a high proportion (59 per cent) of the staff was dedicated to administrative functions. UNCRD's five seconded staff was taken on board under non-reimbursable loan arrangements from the local governments in Nagoya and Hyogo, Japan without having entered into any formal agreements with the local governments. UNCRD entered into 178 consultancy assignments of which 51 were hired as repeat consultants. In 4 of the 15 consultancy contracts reviewed, UNCRD had not evaluated at least 3 other suitably qualified consultants for consideration, as required by ST/AI/1999/7.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the management of the United Nations Centre for Regional Development (UNCRD). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UNCRD was established by the Economic and Social Council (ECOSOC) resolution 1582, dated 4 June 1971. This was based on ECOSOC resolutions 1086 and 1141, dated 1965 and 1966, which called for the establishment of a centre for research and training in regional development in recognition of the need to achieve a more effective integration of social, economic, and spatial aspects of development and also to spread more evenly the economic and social benefits of development efforts. An agreement between the Government of Japan and the United Nations established UNCRD in Nagoya, Japan. UNCRD's mission is to: a) serve as a training and research centre and provide advisory services in regional development and planning; b) assist developing countries in promoting the exchange of data on research, practical experience, teaching, etc; and c) assist and cooperate with other organizations, national or international, concerned with regional development and planning.

In order to enhance its reach into Africa and Latin America and the Caribbean, UNCRD established field offices in Nairobi, Kenya (the Africa Office) and Bogotá, Colombia (the Latin American and Caribbean or LAC Office). In 1999, UNCRD also established an office in Kobe, Japan (the Hyogo Office), which is financed partially by the Hyogo Prefecture Government, to develop and support disaster management planning. The Secretary-General entrusted DESA to host this trust fund. DESA took on the role of executing agency and administered UNCRD, including its projects, as technical cooperation activities.

3. Receipts and expenditures of UNCRD for the years 2006-2008 are shown in Table 1.

**Table 1. UNCRD Financial Highlights: 2006 - 2008**

	2006	2007	2008
Receipts/income	3,634,525	3,142,701	3,470,054
Expenditures	2,772,630	2,868,190	3,114,926

Source: UN Technical Cooperation Trust Funds Statement of Changes in Fund Balance 2006-2008

5. Comments made by DESA and UNCRD are shown in *italics*.

## II. AUDIT OBJECTIVES

6. The main objectives of the audit were to assess:

(a) The adequacy and effectiveness of internal controls over strategic management and governance, programme management, financial management, administration, and human resources management; and

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- (b) Compliance with United Nations Regulations and Rules.

### **III. AUDIT SCOPE AND METHODOLOGY**

7. The audit covered the period from 1 January 2006 to 31 December 2008 and was conducted through interviews with key personnel, review of documentation, and tests of controls in DESA, New York and UNCRD, Japan.

### **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **A. Oversight and management of UNCRD**

##### Ineffective management

8. Oversight and management of UNCRD was guided by a number of instruments including the Government of Japan's (GOJ) agreement with the UN (18 June 1971), the UNCRD General Guidelines for Programme Implementation, 1999, and DESA's Manual for Chief Technical Advisers (CTA Manual), 1983. The latter two instruments required the functioning of an advisory committee, tripartite review meetings, monitoring visits, and annual and semi-annual report submissions from UNCRD to DESA. The annual report is also provided to the Government of Japan (the Donor). The combination of directives from these guidelines prescribed multiple oversight mechanisms for managing UNCRD. However, DESA was unable to comply with all these requirements and provide effective oversight over the Centre's programme of work and administrative activities. *DESA stated that the CTA manual is not entirely relevant to the Centre. The Center is not a standard technical cooperation project providing direct technical assistance to a developing country, but rather a semi-independent Centre, whose main functions are research and training.* OIOS agrees that the UNCRD is a Center and should be guided by a single UNCRD guideline. However, during its audit, OIOS found that there was a lack of understanding amongst different implementing parties on the guidance that should be used and references were made to the provisions in the CTA manual. An updated UNCRD guideline as suggested in recommendation 1 should clarify the guidance to be used for the oversight and management of UNCRD.

##### (a) Agreement between the Donor and the UN

9. The agreement between the GOJ and the UN tasked the UNCRD Director with overall responsibility for the administrative, training, research, advisory, and other activities of UNCRD under the control of the Secretary-General. It also stated that the voluntary contributions would be held as a trust of the Organization and administered by the Secretary-General in accordance with the Financial Regulations and Rules of the UN. In order to ensure close cooperation between the Donor and the UN and to facilitate the operation of UNCRD, the agreement also indicated that consultation and sharing of

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information between parties be done as and when appropriate and as may reasonably be requested.

10. DESA, as the executing agency, administers UNCRD and its projects as technical cooperation activities. According to its CTA Manual of 1983, the executing agency is the responsible agency for the entire execution of the project (technical, substantive and administrative functions, etc.). It fulfils these functions by providing technical and administrative backstopping to and evaluation of the projects. Within DESA, the Socio-economic Governance and Management Branch (SGMB) of the Division for Public Administration and Development Management (DPADM) bears substantive responsibility for UNCRD. The responsibility for processing administrative requests submitted by UNCRD or DESA's substantive divisions are discharged by DESA's Technical Cooperation Management Services (TCMS).

11. The UNCRD Director has overall responsibility for the administrative, training, research, advisory and other activities of UNCRD under the control of the Secretary-General. Specifically, he is responsible for the following duties and responsibilities: (a) recruiting national staff and exercising general supervision over the staff; (b) outlining the overall policy of UNCRD with regard to research, training, and other activities; (c) setting priorities for work and the modus operandi for carrying out programmes and activities; (d) approving research and training project proposals; (e) reviewing periodically the progress of various activities under implementation; and (f) evaluating the outcome of various activities.

(b) Advisory Committee Meetings

12. The General Guidelines for Programme Implementation dated 1 January 1999, provided a comprehensive framework for the management of the Centre by its Director. It stipulated that an advisory committee should be appointed by UNHQ upon the recommendation of the UNCRD Director. The ex-officio members include: the Director-General; Multilateral Cooperation Department in the Ministry of Foreign Affairs of the GOJ; the Chief of SGMB; and the Director, UNCRD. The Advisory Committee was to meet biennially to: (a) advise on the overall policy and major direction of activities of UNCRD; (b) review the work programme of UNCRD with a view to evaluating its achievements and performance and advise on issues and activities which UNCRD should take up in the future, within the framework of its mandate; and (c) consider any other issues which UNHQ and/or the UNCRD Director will ask for advice.

13. The Advisory Committee's 16<sup>th</sup> and 17<sup>th</sup> meetings were held on 25–26 May 2004 and on 16–17 May 2006, respectively. There have been no further meetings since May 2006. The 18<sup>th</sup> meeting, which was to be held in 2008, was postponed at DESA's request pending the report of an external evaluation which took place in August 2007 and was issued in May 2008. Further, although the 18<sup>th</sup> Advisory Committee meeting was subsequently organized and scheduled by the Director, UNCRD, for 27–28 January 2009, it was postponed again by DESA citing the on-going internal audit of UNCRD and the reform within DESA as the

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reasons for this postponement. In OIOS' opinion, the repeated delays and postponements of the Advisory Committee meetings since 2008 have contributed to an atmosphere of estrangement among UNCRD, DESA, and the Donor, and have negatively affected their working relationships and the functioning of the Centre.

(c) Tripartite Review Meetings

14. In accordance with the CTA Manual dated 1983, the Tripartite Review Meeting (TRM) was envisaged between the Donor and the executing agencies, i.e., DESA and UNCRD. It was to meet periodically to review policy issues on substantive activities, rather than deal with the detailed technical aspects of project operations because the meeting is attended by high level officials. After each review, UNCRD was to report within 15 days to the Donor and DESA, recording the relevant conclusions, decisions, or recommendations arising from the TRM, together with any explanations or supporting data, summarizing the review under the following broad headings: Project Activities and Outputs; Prospects of Achieving Project Objectives; Utilizations of Project Results; and Project Design, Conclusions, Decisions or Recommendations. However, DESA has not carried out a single tripartite review meeting since UNCRD's inception in 1971.

(d) Monitoring visits

15. Further, in accordance with the CTA Manual dated 1983, monitoring visits were to be conducted by the official in DESA responsible for substantive guidance of the project. These visits should take place before each TRM, irrespective of whatever other visits may have been made to the project. Visiting the site of a project is necessary in order to assess the progress made in the context of its objectives and the timetable stated in the project document. Recommendations in relation to the modification of project objectives, work plans, or resource provisions should be made through a revision in the workplan. The detailed technical and operational problems should be thoroughly analyzed and discussed, and eventually brought to the attention of the tripartite review meeting in summarized form. In DESA, the Chief of SGMB was responsible for the day-to-day supervision of UNCRD.

16. In the absence of the TRM, SGMB/DPADM did not consistently schedule the monitoring visits. There were missions from SGMB in 2005 and 2006 and from the Director, DPADM in 2007. However, there was no evidence of a detailed review of the Centre's programme or of the Director having provided recommendations to address problems faced by UNCRD. According to these mission reports, only high level issues, such as the sustainability of UNCRD and the continuing support of the Donor were discussed. DPADM also lacked the support of an interregional adviser for more than a year between 2007 and 2008, and although the position had been filled in September 2008, the incumbent had not been assigned any missions to UNCRD, since there were discussions on the transition of backstopping responsibilities from DPADM to DSD.

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(e) Substantive reports to DESA

17. In accordance with the UNCRD General Guidelines for Programme Implementation, the UNCRD Director should submit progress reports annually and semi-annually. Although the semi-annual reports were up-to-date, the last annual report submitted was a combined report for two years from July 2005 to June 2007. Further, the semi-annual report for July-December 2008 did not include activities of its Africa office.

(f) DPADM review and control

18. The retirement of the two senior officials in 2008 resulted in a loss of DESA's institutional memory relating to the UNCRD project. The Chief, SGMB/DPADM and the Director, DPADM, who held managerial responsibility for the UNCRD project, both retired in 2008. A new Director for DPADM was appointed on 1 February 2009. As of the date of the audit in February 2009, a new Chief for SGMB had not yet been appointed and the senior desk officer for the UNCRD project was serving as the Officer-in-Charge (OIC), in addition to her routine responsibilities.

(g) Accountability for field offices

19. The Africa Office, LAC Office, and the Hyogo Office, which function as UNCRD field offices, also implement projects. Although these offices have been functioning for a number of years, their reporting responsibilities to UNCRD, Nagoya and their accountability to the UNCRD Director for the implementation of their work plan were unclear. While the Hyogo Office appeared to have a close working relationship with UNCRD, Nagoya, this was not the case for the Africa and LAC Offices. The Director did not frequently communicate with or visit the field offices to evaluate their activities on the ground. There also appeared to be no connection between the programme of work being implemented by the field offices to the programme of work of UNCRD, Nagoya. For example, UNCRD, Nagoya was involved in the 3R, "Reduce, Reuse, Recycle" project whereas this project had not been rolled out in the Africa Office or the LAC Office. Similarly, the LAC Office projects retained a human security orientation although this programme had been dissolved by UNCRD, Nagoya. The external evaluator raised the concern that the field offices appeared to be isolated from UNCRD, Nagoya even though the work being done by the field offices appeared to be more in line with the UNCRD mandate than with both the UNCRD, Nagoya, and Hyogo Offices.

20. In OIOS' view, there is a need for DESA and UNCRD to update its General Guidelines for Programme Implementation for providing substantive and administrative guidance to the management of the Centre. Also, the accountability structure between the Director, UNCRD, and the field offices needs to be clearly enunciated in the guidelines. This could also help in rationalizing the structure so that Advisory Committee meetings would perform the critical substantive oversight role, replacing entirely the need for the Tripartite Review Meetings. In discussions with OIOS, DESA stated that it was

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not following the CTA Manual; however, this fact had not been clearly communicated to UNCRD or the Donor.

### **Recommendation 1**

**(1) DESA and UNCRD should update the policies and procedures currently reflected in the UNCRD General Guidelines for Programme Implementation, 1999, and ensure that the guidelines become a comprehensive document covering both the substantive framework for the Centre's operation, as well as define the overarching administrative policies and procedures necessary to manage the Centre in an effective and efficient manner.**

21. *DESA and UNCRD accepted recommendation 1 and stated that DESA considers its implementation a priority and intends to work closely with UNCRD with a view to updating and revising the existing UNCRD Guidelines for Programme Implementation. These guidelines will be a single guidance document covering both substantive and administrative policies and procedures. The formulation of enhanced guidelines is also viewed as an integral part of the overall effort of revitalization and integration of UNCRD into DESA's work programme. Once finalized, DESA intends to maintain the guidelines on an ongoing basis, as appropriate. Recommendation 1 remains open pending receipt of the updated UNCRD guidelines.*

### **Ineffective strategic planning**

22. The work programme is reviewed by the Advisory Committee every two years. Work plans are derived from the broad goals established by the work programme. In accordance with the monitoring responsibilities of the Chief of SGMB/DPADM, s/he should have reviewed and guided the work plan. However, a review of the files for the period 2006-2008 showed that SGMB/DPADM did not proactively guide UNCRD in establishing its work plan. Work plans prepared by UNCRD were submitted either just before or after the commencement of the fiscal year (1 July), leaving SGMB/DPADM with insufficient lead time to make any substantive input. As of the date of the audit, DPADM had still not approved the 2007-2008 and 2008-2009 work plans. The OIC, SGMB/DPADM stated that there were problems with the format of the work plan which caused delays in the review process. For example, UNCRD prepared the work plans using a different version of the software resulting in SGMB/DPADM encountering problems in downloading their contents. Additionally, the work plans were inadequately designed to incorporate the timelines and milestones, and lacked key performance indicators. Further, annual work plans and budget formats do not require SGMB/DPADM or TCMS signatures and approval dates. Therefore, annual work plans and budgets were never actually signed off on, and the changes to the work plan as a result of DPADM requests were not actually made prior to the implementation of the work plan.

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23. According to the SGMB Officer-in-Charge, DPADM also lacked the substantive capacity to adequately appraise the programme of work that was being pursued by UNCRD, which was related to sustainable development activities rather than the DPADM mandate. The 2008 work programme is more closely related to sustainable development activities and DESA has decided to transfer UNCRD's programme to its Division of Sustainable Development (DSD). OIOS supports the transfer to DSD but advises DPADM to document the handover for both substantive and administrative activities while transferring the supervision of UNCRD to DSD.

### **Recommendation 2**

**(2) The DESA Division of Public Administration and Development Management should document the handover of the oversight responsibility for UNCRD to the Division for Sustainable Development.**

24. *DESA and UNCRD accepted recommendation 2 and stated that it is currently being implemented. DPADM is working closely with DSD to handover all UNCRD files including detailed historical briefings on UNCRD, and briefings on the ongoing projects. DPADM continues to make available the services of the technical cooperation assistant who was responsible for supporting the UNCRD project during the handover, which ensures continuity in the processing of administrative actions during the transition period. Based on DESA's assurance that DPADM is documenting the handover of the oversight responsibility to DSD, recommendation 2 has been closed.*

### **Recommendation 3**

**(3) The DESA Division for Sustainable Development should ensure that UNCRD's work programme and work plans are approved in advance and bear the appropriate signatures and approval dates.**

25. *DESA and UNCRD accepted recommendation 3 and stated that DSD has already requested UNCRD to submit a consolidated work programme which is currently under preparation. The formulation and approval of a new work programme for the period July 2009–June 2010 provides an opportunity to better align UNCRD's work plans with DSD's programme, and to revitalize missing elements such as the Human Security Programme in the Nagoya office. The new work plan, once endorsed, will bear the signature of the Director of DSD. Recommendation 3 remains open pending the receipt of the UNCRD work plan for 2009-2010.*

### **Improper selection of UNCRD Director**

26. Article IV of the agreement between the GOJ and the UN states that the Secretary-General shall appoint the UNCRD Director in accordance with the UN Staff Regulations and Rules and in consultation with the GOJ. DESA participated in the recruitment process for the Director but performed only the

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administrative functions for the process. The Personnel Officer of TCMS informed OIOS that DESA's policy in its Technical Assistance Recruitment and Administration Service of 1990 (TARAS) guidelines allowed sponsoring governments to nominate candidates for posts. However, DESA could not provide OIOS with any record of there having been a competitive procedure. In OIOS' view, the GOJ's nominations of candidates should not preclude a competitive procedure as required by UN Staff Regulation 4.1 or DESA's participation in the recruitment process.

#### **Recommendation 4**

**(4) DESA should conduct the interview process for all future selections of UNCRD Directors to ensure that s/he is selected by means of a competitive procedure in accordance with UN Staff Regulation 4.1.**

27. *DESA and UNCRD accepted recommendation 4 and stated that the Department would like to clarify that a vacancy announcement was issued for the post of Director, UNCRD, with the applicants applying directly to UNCRD which conducted the initial review of applicants and short listing of candidates. Therefore, while the Department was not directly involved in the interview phase, there was a competitive process conducted in line with the organization's procedures. Following enhanced procedures already instituted by the Department in its technical cooperation recruitment, all posts are advertised in Galaxy in order to attract a wider pool of applicants. In all future international vacancies at UNCRD, the Department would be directly conducting the recruitment/interview/selection process from UNHQ, using the UN Galaxy procedures. Effective 1 July, such recruitment would also be referred to the Central Review bodies for endorsement. As project posts will be subject to the revised human resource management policies effective 1 July 2009, DESA requested that this recommendation be considered implemented, since new recruitments would be guided by the organization's revised procedures. Based on DESA's clarifications and assurance that the future recruitment of the Director will be conducted from UNHQ, using the UN Galaxy procedures, recommendation 4 has been closed.*

## **B. Programme and project management**

### Delays in project formulation and approval

28. During 2006-2008, UNCRD implemented ten projects. Four of these were original projects and the remaining six were project extensions from prior years. Each of these required the formulation, preparation and approval of a proposal in the form of a Project Document (Prodoc). The Prodoc originated either at Nagoya, or a UNCRD field office routed through Nagoya, and was then passed through SGMB and TCMS for approval, DPADM for signature, and then back to UNCRD for forwarding to the Donor for signature. The average number of processing days by SGMB/DPADM and TCMS for approval was 147 working days, or 6.7 months in these ten projects. The processing time ranged from 3 to 20 months.

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29. In 6 out of the 10 projects, UNCRD submitted their draft Prodoc to DPADM for review from one week prior to two months after the commencement of the project. Although the projects always have a start date of 1 April, in some instances, the project coordinators had not forwarded the Prodocs to UNCRD Nagoya until after the project start date. The Prodocs and corresponding trust fund agreements therefore were not forwarded to DESA until well after the project cycle had begun. While the process was documented with a lot of email correspondence between DESA and UNCRD, DESA's inputs and approval in the planning process proved to be inconsequential due to the delays in approving project revisions or extensions.

30. DESA stated, in discussions with OIOS, that the project proposals submitted were not of requisite quality and required considerable revisions. DESA also stated that since the funds were made available to UNCRD in advance of the approval, project activities were not affected by the delay of project approvals. However, in the case of project extensions, UNCRD charges the previous phase of the project until the Prodoc is approved and new funds are received, and then backs out the funds from the previous phase account into the new phase account. Due to delays in approval, in two cases the project implementation dates had to be revised and one project (Project RAS/05/X03, EST) has been operating without an approved Prodoc or Trust Fund Agreement since July 2005. The Donor had also expressed concern over the delays in obtaining DESA's approval for the projects.

#### **Recommendation 5**

**(5) DESA should streamline the procedures relating to the approval of project documents to ensure their early finalization.**

31. *DESA and UNCRD accepted recommendation 5 stating that the Department will review whether the current process can be streamlined in order to shorten the approval process. Recommendation 5 remains open pending receipt of streamlined procedures for approval of project documents.*

#### **Recommendation 6**

**(6) UNCRD should ensure that its staff is trained in preparing quality project proposal documents and that these proposals are sent well in advance of the start date of the project for DESA's approval.**

32. *DESA and UNCRD accepted recommendation 6 and stated that the department had previously identified the need for UNCRD personnel to strengthen their skills in project formulation and development, and had encouraged the Centre to pursue training programmes at ESCAP, the Staff College, or through other appropriate platforms. While there have been noticeable improvements in the project formulation exercises, the Department believes that continued training and participation in staff development activities*

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*will broaden the staff's skill set, and contribute to enhancing the Centre's outputs.* Recommendation 6 remains open pending receipt of documentation indicating that UNCRD staff is adequately trained; project proposal submissions are meeting the qualitative requirements; and are submitted to DESA for approval in a timely manner.

#### Decline in publications

33. A review of the publications programme from 2000 to 2008 indicated that UNCRD had a total of 63 publications, of which 12 publications were issued in 2006-2008. This indicated a significant decline in publications compared to previous periods. For example, from 1990 to 1999, UNCRD had a total of 225 publications in 21 genres, including textbooks, training materials, research reports, books, discussion papers, and commercial publications. There were also delays in producing the publications. For example, the 2005 Annual Report was produced one year after the reporting period. The Annual Report serves as a vital overview of UNCRD's activities and its delayed production may affect the reputation of UNCRD. The delayed issuance of publications was attributed to a lack of resources in UNCRD's Information Unit.

#### **Recommendation 7**

**(7) DESA, in consultation with UNCRD, should review the work programme and the workplans and examine the reasons for the decline in publications, and ensure that publications are issued in a timely manner.**

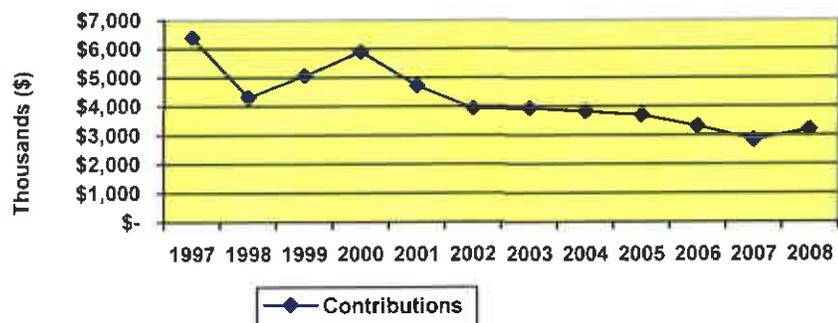
34. *DESA and UNCRD accepted recommendation 7 and stated that DSD has requested the Centre to submit a coordinated work programme, including a publications programme, which covers all UNCRD offices. With the revitalization of the Centre, the Department expects a shift towards publications which are reflective of its research and operational activities. Recommendation 7 remains open pending receipt of the UNCRD work plan for 2009-2010.*

#### Decline in contributions

35. Donor contributions to the UNCRD core budget declined from a peak contribution of approximately \$6.4 million in 1997 to \$3.2 million in 2008. Core budget resources support the operational capacity of UNCRD, Nagoya, fund the overhead costs of the Africa and LAC Offices, and finance about 10 per cent of Nagoya projects, including research and training activities. The decline in funding has resulted in reductions in the programme of work and thus, have adversely affected UNCRD's mandate. For example, the depletion of the Human Security Group workforce through successive resignations of staff reduced UNCRD's capacity to implement the Human Security programme and consequently, the Director suspended the Human Security programme in 2007. The reductions also weakened the support to the field offices. Chart 1 illustrates the decline in core funding between 1997 and 2008.

36. The Secretary-General has made the development of Africa, including the global policies engendered by the Millennium Development Goals, the World Summit on Sustainable Development, and other internationally agreed goals, the main focus of the UN's 21<sup>st</sup> development pillar. Although the Africa Office could serve an important role in helping to achieve regional development planning in the African region, it has a budget of only \$70,000, with very few externally sourced funding options. A review of the ongoing projects indicated that they generally involved training courses on local and regional development planning. *DESA commented that with respect to the Africa Office, the Department expects that sufficient funding will be allocated under the 2009/2010 work programme, using the current resources available.*

**Chart 1. UNCRD Contributions: 1997-2008**



Source: UNCRD Annual Reports

#### Weak donor relations

37. OIOS' visit to the Donor offices at the Ministry of Foreign Affairs (MOFA), the Ministry of Land and Infrastructure, the Ministry of Environment, and to project donors, including the Hyogo Prefecture and 21st Century (a Non-Governmental Organization) indicated that they were satisfied with UNCRD's productivity and quality of outputs. However, in a letter dated 7 January 2009, MOFA voiced dissatisfaction with working relations with DESA, the processing delays, and the postponement of the Advisory Committee meetings and the Tripartite Review Meetings with no rescheduled dates. The Mission of Japan expressed its discontentment with DESA's decision to cancel the Advisory Committee meeting. As of the date of the audit, DESA had still not finalized a schedule for the Advisory Committee and Tripartite Review Meetings.

38. DESA's infrequent visits to UNCRD hindered the development of a close working relationship with MOFA and other donors. The poor quality of the relationship was evident from the fact that the representative from MOFA traveled to New York to meet with one of its other UN partners (United Nations Development Programme) during the week of 21 January 2009, but declined to set up a meeting with DESA. On the other hand, UNCRD does not want DESA to have direct contacts with the Donor. For example, according to email correspondence, when TCMS proposed to clarify the refund balances with the Donor, UNCRD cautioned against DESA interacting directly with the Donor for

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fear of reprisal and negative impact. However, since DESA is a party to the funding agreements with all donors, it is essential for it to build and maintain effective working relationships with them, including the project donors.

#### **Recommendation 8**

**(8) DESA should strengthen its working relationship with the Government of Japan and other relevant donors.**

39. *DESA accepted recommendation 8 stating that the Department's current priority is to revitalize, strengthen and build credibility of the Centre's substantive programme, after which the Centre will be better placed to attract new funding. The Department is confident that the resource base can be augmented in due time. The Department has made multiple interventions with the GOJ regarding the shift of responsibility and the reprofiling of the Centre's work and expects to remain actively engaged with the MOFA, as well as other local donors, through tripartite meetings between UNCRD/DESA and the GOJ, and in the context of the Advisory Committee meetings. Since the Department has already renewed its relationship with the Government, this part of the recommendation is considered fully implemented. Based on DESA's stated efforts to engage with the GOJ and other local donors, recommendation 8 has been closed.*

#### Inadequate transparency in partnership arrangements

40. In view of the declining resources from the Donor, UNCRD has been instrumental in developing strategic partnerships to reduce its implementation costs. A particular advantage of these partnerships, according to UNCRD, is the speed at which they can mobilize resources through the partner without the need to raise funds through the slower and costlier bureaucratic machinery. UNCRD has secured a number of partners to augment its limited resources and funding. These partners include the Japan International Cooperation Association (JICA), Swedish International Development Agency, the University of Nairobi, the City of Bogotá, and various other non-traditional partners. However, OIOS noted that the relationships between UNCRD and its partners were not clearly spelled out in a memorandum of understanding (MOU) in order to formalize these partnership arrangements. The lack of transparency in the existing arrangements could potentially result in reputational damage to the UN.

#### **Recommendation 9**

**(9) DESA should ensure that all partnership arrangements initiated by UNCRD are formalized in a tripartite Memorandum of Understanding between DESA, UNCRD and the third party, duly approved by DESA in accordance with accepted organizational procedures.**

41. *UNCRD accepted recommendation 9 stating that all MOUs defining partnership arrangements should be reviewed by DESA in the context of the*

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*current clearance procedures, including review by the Controller and the Office of Legal Affairs, if necessary.* Recommendation 9 remains open pending receipt of documentation indicating that all partnerships are supported by an MOU.

#### Excessive accumulation of operating reserves

42. According to the administrative instruction ST/AI/284 on General Trust Funds, an operating reserve of 15 per cent of the planned expenditures will be maintained. In the case of technical cooperation projects, the OIC, TCMS informed OIOS that an eight per cent reserve for repatriation grant and a one per cent reserve for salaries is recommended for technical cooperation projects in the UN Secretariat. According to IMIS data, however, the operating reserve totaled \$2.3 million for the year ended 31 December 2008, which represented 68 per cent of UNCRD's allotments of \$3.4 million in 2008. This amount was significantly higher than the 15 per cent requirement as indicated in ST/AI/284 and also the practice followed in TCMS. The Centre was therefore not fully utilizing the funds for the programme. During an unofficial and informal DESA visit to the GOJ in December 2008, the Donor expressed serious concern that this reserve was not being used or allocated for the Centre's programme of work. DESA also raised this issue with the UNCRD Director during the review of the annual work plan, advising him to allocate the funds to the Centre's activities. According to the UNCRD Director, the funds were being reserved due to declining contributions to the core budget by the Donor, and as a contingency for possible future reductions in funding.

#### **Recommendation 10**

**(10) DESA should ensure that UNCRD's operating reserve is brought in line with existing practice for technical cooperation activities by reducing its cash reserve to an acceptable level and using the available funds for programming substantive activities.**

43. *DESA and UNCRD accepted recommendation 10 and stated that the Department will work closely with UNCRD in reducing the reserve to an acceptable level, and programming the existing funds in support of the Centre's substantive programme activities, including Human Security, the Africa and LAC offices, as well as strengthening sustainable development areas building on positive outcomes of the Centre's environment activities.* Recommendation 10 remains open pending receipt of documentation indicating that the reserves have been allocated appropriately.

### **C. Financial management**

#### Violation of delegation of authority

##### Office Space

44. In accordance with the UN procurement rules, requests for financial authorizations related to the procurement of goods and services are channeled

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through DESA to the Procurement Division (PD). In 2007, the UNCRD Director decided to relinquish the UNCRD's offices maintained on the 7<sup>th</sup> floor of the Nagoya International Centre, consolidating the office to half of the 6<sup>th</sup> floor. This was done to reduce idle office space by about 50 per cent and to realize cost-savings of approximately \$16,000 per month in rental charges of \$192,000 annually (7 per cent of annual budgeted expenditures). The aim was to consolidate the office by 31 March 2008, upon the expiry of the subvention from the Nagoya Prefecture, representing 50 per cent of UNCRD's rental costs. The Director, DPADM, in principle, agreed to the relocation.

45. The UNCRD Director took several steps to facilitate the relocation by March 2008, including informing the Donor of the intended move, notifying the landlord, as well as contacting PD and DESA. Premature notification to the Donor by UNCRD before it had received the requisite authorizations resulted in a financial loss to UNCRD of \$38,000 in unfunded rental charges. This was because the Nagoya Prefecture had not budgeted for a provision to cover 50 per cent of the rent for UNCRD for the period from 1 April to 30 June 2008, the date of its relocation to the 6<sup>th</sup> floor.

46. According to the lease agreement, UNCRD was required to restore the 7<sup>th</sup> floor premises to its original pre-rental condition, which necessitated procuring a contractor. In December 2007, UNCRD served notification to the landlord of its intention to vacate the 7<sup>th</sup> floor effective 31 March 2008. The notice was given prior to the receipt by UNCRD of the requisite authorizations from Headquarters (PD and DESA) to enter into a construction contract to restore the 7<sup>th</sup> floor premises to its pre-rented condition. The lead time needed for the construction contract was three months prior to vacating the premises.

47. According to PD, a minimum of two months is normally required for processing routine procurement actions. Even under normal circumstances, the earliest date that UNCRD's procurement request could have been processed was at the end of April 2008. However, due to the complexity of UNCRD's request to waive the procurement rules for the competitive bidding of a high value contract, ensuring adequate justification, and which, depending on the currency translation in effect, may have also involved scrutiny by the Headquarters Committee on Contracts for further review, the two-month timeframe may not have been feasible. The OIC of TCMS also stated that she has encouraged UNCRD to request for approval in-principle in cases where the financial authorizations were taking excessively long to be processed.

48. In order to facilitate the move rescheduled for 30 June 2008, the UNCRD Director as certifying officer and the Chief Administrative Officer as approving officer both signed the construction contract and lease agreement although they did not have the requisite delegated procurement authority. UNCRD also did not obtain a waiver of the procurement rules concerning competitive bidding, and it unilaterally entered into a high value contract at a cost of approximately \$200,000. The contract and lease agreement executed by UNCRD were not standard UN contracts and were written in Japanese which is not an official language of the UN. Moreover, the contract was not reviewed by PD or the Office of Legal Affairs. As certifying and approving officers, the UNCRD

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Director and CAO did not fulfill the fiduciary responsibilities entrusted to them to prudently manage UNCRD's financial activities in compliance with UN Financial Regulations and Rules. The UN Controller, in his memorandum of 15 August 2008, strongly reprimanded both the UNCRD Director and CAO on their unauthorized actions, stating that any future unauthorized actions would result in the removal of their delegation of authority as certifying and approving officers.

#### Unauthorized recruitment of staff members

49. UNCRD recruited local resource persons in four instances (three staff and one consultant) without receiving prior financial authorization from DESA. In one case, UNCRD had hired a locally recruited General Service staff member prior to the issuance of an official Letter of Appointment (LoA) from TCMS, which is required for all staff serving under the 100 series of the UN Staff Rules. UNCRD had been paying these staff members and the consultant from the imprest account, charging the payments as "advances" before first having obtained the financial authorizations. These unauthorized payments were a violation of the certifying and approving delegations of authority issued to the Director and the CAO. In the case of one staff member, UNCRD stated that the request for authorization had been submitted to DESA, but since they did not receive the necessary authorization and there was a need to hire one staff member to perform bank signatory functions for the imprest account, UNCRD proceeded with the recruitment on 1 July 2008 without the requisite authorization from DESA. According to DESA, finalization of the recruitment process for the staff member encountered several problems and required further clarification, which was the subject of subsequent email exchanges between DESA and UNCRD. The personnel issues were finally resolved and the staff member signed the LoA on 15 December 2008, with retroactive effect from 1 July 2008. In the case of the other three staff members, UNCRD had no justification for proceeding with their recruitment. As a temporary means to compensate the staff members who were already on board and until the recruitment was authorized by DESA, UNCRD booked the charges to the Advance Recoverable Locally account.

#### Outstanding payments to vendors

50. A review of unpaid obligations showed that a long, outstanding debt in the amount of \$10,670 was owed and payable to a vendor that had provided services to the Centre in 2004 in connection with a project. According to TCMS, the payment had not been settled due to an ongoing dispute regarding the unauthorized actions of the Centre to hire the vendor and a lack of justification for the engagement. TCMS asked the CAO, upon his appointment in October 2006, to appraise the case with a view to settling on a final fee to be paid to the vendor. However, as of the date of the audit in January 2009, the outstanding obligation had still not been settled.

#### **Recommendation 11**

**(11) The DESA Technical Cooperation Management Services should closely monitor UNCRD's discharge of its**

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**certifying and approving functions and expeditiously resolve the long outstanding debt to the UNCRD vendor.**

51. *DESA and UNCRD accepted recommendation 11 stating that DESA has been continually monitoring UNCRD's discharge of its certifying and approving functions. In this connection, the audit was provided with information indicating that TCMS: (1) provided guidance to UNCRD on appropriate procedures to be followed when the Centre needed to take administrative actions in advance of receiving financial authorizations; (2) coordinated with the Controller on the unauthorized signature by UNCRD of the construction contract; and (3) liaises on a continuing basis with the Technical Cooperation Accounts Section on the review of the Centre's financial transactions within the context of the imprest account. Since the monitoring has been ongoing, there is no new action for DESA to implement. The Department will work towards resolving the debt to the UNCRD vendor. Recommendation 11 remains open pending receipt of documentation indicating the settlement of the debt to the UNCRD vendor.*

Delays in authorizations

52. OIOS assessed the time lines for the processing of UNCRD requests by the SGMB/DPADM and TCMS units. Approximately 400 authorizations were processed for UNCRD from 2006-2008. As a general guideline, UNCRD was advised that DESA requires six weeks to process financial authorizations. OIOS' review of 14 cases indicated that the time taken to grant the approvals ranged from 12 to 23 weeks. OIOS' review of the communication logs of both UNCRD and DESA indicated that numerous e-mail exchanges were necessary to resolve administrative issues. For example, it took up to six e-mails between UNCRD and DESA, per transaction, to resolve discrepancies noted in work plans, project proposals, and financial authorization requests. To support UNCRD efficiently, the lengthy time required to process authorizations needs to be addressed by DESA. DESA stated that clearing the authorizations took time because UNCRD submissions were not complete in all respects.

53. Similarly, in the case of five sampled UNCRD procurement requests for routine purchases such as books and office supplies, which on average were under \$10,000, the approval process took an average of more than two months. For example, the financial authorization for the procurement of the 3R Source Book required extensive exchanges between SGMB and UNCRD before it was submitted to PD as an Institutional Corporate Agreement (ICA) Request. After further review, SGMB, in consultation with UNCRD, TCMS and PD, decided to proceed with a financial authorization for local procurement authority to be issued to UNCRD and the ICA request was withdrawn. This authorization took over three months for approval. In another instance, an authorization for electrical charges was delayed because UNCRD had partially booked the amount against another account in order to use up its residual balance. Although this transaction was only for \$600, it took over three months for approval. The lengthy review time by PD and DESA for the low value procurement requests hampered UNCRD's ability to operate efficiently.

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54. The delay in authorizations was the result of a complex procedure which generated a large number of requests for authorization. UNCRD alone generated 400 authorization requests in three years. There is a critical need for DESA (both TCMS and the related substantive divisions) to develop simplified procedures to reduce the number of authorization requests generated by UNCRD. The 2003 DESA self-evaluation also highlighted the need to make use of the UN Intranet and other internet connectivity in order to improve business relations. As an administrative provider, DESA needs to shift its focus from clearing authorizations to exercising oversight by monitoring the controls in order to improve the efficiency and effectiveness of providing support functions to UNCRD. In OIOS' view, it is critical that the substantive and administrative procedures for supporting UNCRD be redesigned and incorporated in its revised guidelines. Further, given the volume of work involved in processing requests from UNCRD, DESA has dedicated a general service staff to attending to UNCRD needs. However, currently, this general service staff's salary is being charged to the regular budget rather than to the UNCRD budget.

#### **Recommendations 12 and 13**

**(12) DESA should review its current administrative processes with the aim of streamlining procedures and improving the processing time, including procurement approvals for low value items.**

**(13) With respect to the general service staff member dedicated to UNCRD work, DESA should charge this staff's salary to the UNCRD budget rather than the regular budget.**

55. *DESA accepted recommendation 12 stating that it will be implemented in the context of updating the UNCRD operating guidelines, where the Department will determine if simplified procedures can be identified in the context of administrative processes and approvals. At the same time, delays may occur if supplemental information was required by the certifying and/or approving officer in order to make an informed assessment and to implement his/her delegated authority vis a vis financial certification or approval when processing such a high number of authorizations (400 alone for UNCRD, which represents just one of DESA's projects). Fourteen cases of delays out of 400 authorizations equates to a delay in 3.5 per cent of the cases. In 11 of the 14 cases identified by the audit, the authorizations were procurement actions where DESA does not have delegated authority. Recommendation 12 remains open pending receipt of updated administrative processes.*

56. *DESA accepted recommendation 13 stating that charging the UNCRD budget would be more appropriate. Recommendation 13 is kept open pending receipt of documentation indicating that action to correctly charge the UNCRD budget has been completed.*

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## **D. Human resources management**

### Unclear delegation of authority

57. The Director, UNCRD has the delegation of authority to recruit national staff in the Nagoya and Hyogo offices. The terms of this delegation were set out in the "Recruitment and Administration of Technical Co-operation and Other Personnel for the United Nations Centre for Regional Development" dated 8 June 1982. Fee allowances for the recruitment of temporary staff on special service agreements (SSA) were also established in subsequent e-mail instructions from DESA to the Director, UNCRD, in 1992 and 1999. The "Personnel Matters" chapter in the 1999 UNCRD General Guidelines for Programme Implementation further established the status, role, and working conditions of the UNCRD staff. However, a review of the referenced guidelines and instructions indicated a lack of clarity in the UNCRD Director's authority to hire operational personnel supporting administrative functions.

58. For example, the delegation of authority states that the Director is authorized to issue local SSA to engage resource persons, such as lecturers, rapporteurs, moderators, etc., for seminars, workshops, and/or other activities. However, this delegation does not extend to the recruitment of national experts for administration. The UNCRD Guidelines define this category as experts from the country where the duty station is located, having semi-professional capabilities, who are hired to perform such jobs as librarian, public relations, maintenance of computer equipment, etc. Further, while the delegation of authority is specific in stipulating that all such persons engaged under SSA contracts do not have the status of staff members of the Organization and their rights and obligations shall be limited to the specific terms of their contracts, the UNCRD Guidelines establish conditions of service similar to UN staff, such as annual leave and sick leave. The status of these "operations staff" therefore, was not clear since they were receiving entitlements such as annual leave and sick leave. Contrary to the terms of use for special service agreements, SSA contractors were also receiving within-grade salary increments on an annual basis, which are only granted to staff members holding fixed-term, probationary, or permanent contracts under the 100 series and staff members holding an intermediate or long-term appointment under the 200 series of the Staff Rules.

59. During 2008, TCMS conducted a review of the salary scale and increment policy for all UNCRD offices. The review found that: (1) remuneration levels in the Nagoya and Hyogo offices had been modified since their 1999 approved rates; and (2) on 1 July every year, within-grade salary increments were being granted to all staff regardless of their date of entry into service which was in contravention of UN Staff Rules.

60. DESA informed OIOS that the modification of the remuneration levels occurred some time between 1999 and 2000 under the former UNCRD administration, and the current Director was utilizing the "status quo" salary scale in effect. However, UNCRD could not provide records to show under what authorization the change had been affected. DESA had not adequately monitored the change and had only learned of the change *post facto* in 2008. OIOS noted

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that the fees being implemented were actually lower than other UN agencies resident in Japan and no “overcompensation” of staff was observed. Further, SSA contractors performing administrative duties were not being evaluated as required.

61. In OIOS’ view, there is a need for DESA to review the delegation of authority issued to the Director, UNCRD, in order to clarify the level of assigned authority, personnel arrangements for the Centre, contract modalities of the various categories of staff, and to ensure the completion of their individual performance evaluations. TCMS needs to routinely monitor the human resources policies and practices being implemented by the Centre including recruitment and personnel administration.

#### **Recommendation 14**

**(14) The DESA Technical Cooperation Management Services should regularly monitor UNCRD’s human resources policies and practices and review the Centre’s delegation of authority pertaining to the recruitment, status, and conditions of service of its staff.**

62. *DESA accepted recommendation 14 stating that TCMS initiated a review of the salary entitlements and conditions of service of UNCRD personnel in 2008, and this review is ongoing. The updated UNCRD operating guidelines will include a chapter on human resources policies and procedures for the recruitment/administration of UNCRD’s personnel, as well as an updated delegation of authority. Recommendation 14 remains open pending receipt of the updated UNCRD guidelines concerning human resources management.*

#### **Recommendation 15**

**(15) UNCRD should ensure that the performance of personnel on special service agreements is evaluated on an annual basis.**

63. *DESA accepted recommendation 15 stating that the relevant procedures for implementing performance evaluations for all personnel, including service agreements, will be reviewed with the Centre, and reflected in the updated UNCRD operating guidelines. Recommendation 15 remains open pending receipt of updated UNCRD guidelines.*

#### **Incomplete performance evaluations**

64. According to the UN Staff Rule 101.3 governing performance management, performance appraisals are required to be prepared regularly for all staff members. UNCRD’s international staff (L series) was evaluated for the 2005-2006 and 2006-2007 performance periods, although the performance appraisals had not been signed by the designated second reporting officers for the 2007-2008 period. Additionally, the 2008-2009 Performance Appraisal System (PAS) work plans had not been prepared and discussed with the international

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staff, even though the 2008-2009 annual work plan, which should form the basis for the staff members' goals in the individual work plans, was already being implemented.

#### **Recommendation 16**

**(16) UNCRD should strictly comply with the Performance Appraisal System requirements of the UN Staff Rule 101.3.**

65. *DESA accepted recommendation 16 stating that it had instituted the PAS process in UNCRD commencing with the 2005/2006 reporting cycle. The Department will develop updated procedures to be used to monitor the timely compliance of the PAS reporting by UNCRD personnel. Recommendation 16 remains open pending receipt of a completion report for the 2008-2009 PAS for all UNCRD international staff.*

#### Imbalanced staffing structure

66. UNCRD's staffing structure shows that 17 out of 29 posts, or 59 per cent of the staff, were supporting administrative functions. For example, 2 out of the 10 operations personnel were performing website support functions and 3 were performing duties related to public relations. Further, 17 posts were eliminated from 2003-2008 of which 9 posts related to substantive activities. In a 2003 DESA internal evaluation titled "Repositioning UNCRD for Future Expansion", the Interregional Adviser emphasized the risk of continuously "hollowing out" the Centre's professional core. This practice was believed to be unsustainable and could lead to a further curtailment of the Centre's programme activities, particularly in the areas of publications and research, which is the Centre's flagship. The large administrative staffing structure needs to be reviewed with a view to strengthening the substantive staff.

#### **Recommendation 17**

**(17) DESA, in consultation with UNCRD, should rationalize the staffing structure of the Centre with a view to strengthening the staff dedicated to substantive functions and in order for UNCRD to effectively fulfill its mandate.**

67. *DESA accepted recommendation 17 stating that DSD has requested UNCRD to submit a streamlined staffing proposal, with an emphasis on increasing the number of substantive posts in order to enhance the Centre's outputs and deliverables within the framework of the 2009/2010 work programme. Recommendation 17 remains open pending receipt of revised UNCRD staffing structure.*

#### Lack of formal agreements for seconded staff

68. Administrative Instruction ST/AI/231, Revision 1 defines a non-reimbursable loan as a loan of the services of an individual without any cost to the UN. Persons whose services are accepted on a non-reimbursable loan basis

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have the relationship of individual contractors and the contractual relationships should be established through the use of special service agreements. All non-reimbursable loan contractors are required to be approved by the UN Controller and the Office of Human Resources Management (OHRM), as well as DESA as the substantive office. During 2006-2008, UNCRD had a total of five seconded staff under non-reimbursable loan arrangements from the local governments in Nagoya and Hyogo. The Centre had not entered into any formal agreements with the local governments. In all cases, the seconded personnel had simply reported for official duty at the Centre.

#### **Recommendation 18**

**(18) DESA should ensure that UNCRD complies with the provisions of ST/AI/231, Revision 1, with respect to the employment of non-reimbursable loan personnel.**

69. *DESA accepted recommendation 18 and stated that this recommendation has been implemented. DESA has received the Controller's approval for a waiver of the 14 per cent programme support costs charges and will now finalize the non-reimbursable loan agreements with the sponsoring organizations. Recommendation 18 remains open pending receipt of documentation indicating that non-reimbursable loan agreements with the sponsoring organizations have been signed.*

#### Lack of competitive selection of consultants

70. From time to time, UNCRD engages consultants to provide expertise in thematic areas. This required the Centre to comply with the provisions applicable to hiring these consultants, as outlined in ST/AI/1999/7 on "Consultants and Individual Contractors." From 2006-2008, the UNCRD engaged in 178 consultancy assignments. OIOS sampled 15 consultancy contracts and found that in 4 of the cases (27 per cent), UNCRD had not evaluated at least 3 other suitably qualified consultants for consideration in compliance with instructions governing competitive selection. Of the 178 consultants hired, 51 were hired as repeat consultants.

71. Additionally, UNCRD did not maintain a roster of pre-vetted consultants in order to make qualified selections, nor did it utilize the United Nations Public Administration Network (UNPAN), a community of experts maintained by DPADM/DESA, to recruit consultants. There is a need for UNCRD to comply with the requirements for competitive selection as stipulated in ST/AI/1999/7, as well as utilize the UNPAN network platform to register qualified consultants.

#### **Recommendation 19**

**(19) The UNCRD Administration should strictly comply with the requirements for the competitive selection of consultants in accordance with ST/AI/1999/7.**

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72. *DESA accepted recommendation 19 stating that while UNCRD is expected to document the competitive selection process followed in the recruitment of local consultants, this process may not have been documented in cases where no remuneration was required (in the cases of lecturers at workshops), or when only one consultant confirmed availability for the specific assignment. The updated UNCRD operating guidelines will reflect the need to uniformly document the competitive review process for recruitment of consultants. Recommendation 19 remains open pending receipt of updated UNCRD guidelines.*

## **V. ACKNOWLEDGEMENT**

73. We wish to express our appreciation to the management and staff of DESA and UNCRD 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	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	DESA and UNCRD should update the policies and procedures currently reflected in the UNCRD General Guidelines for Programme Implementation, 1999, and ensure that the guidelines become a comprehensive document covering both the substantive framework for the Centre's operation, as well as define the overarching administrative policies and procedures necessary to manage the Centre in an effective and efficient manner.	Governance	High	O	Submission to OIOS of the updated UNCRD guidelines.	June 2010
2	The DESA Department of Public Administration and Development Management should document the handover of the oversight responsibility for UNCRD to the Division for Sustainable Development.	Governance	Medium	C	Action completed.	Implemented
3	The DESA Division for Sustainable Development should ensure that UNCRD's work programme and work plans are approved in advance and bear the appropriate signatures and approval dates.	Governance	Medium	O	Submission to OIOS of the UNCRD 2009-2010 work plan.	July 2009
4	DESA should conduct the interview process for all future selections of UNCRD Directors to ensure that s/he is selected by means of a competitive procedure in accordance with UN Staff Regulation 4.1.	Governance	Medium	C	Action completed.	Implemented
5	DESA should streamline the procedures relating to the approval of project documents to ensure their early finalization.	Operational	Medium	O	Submission to OIOS of the streamlined procedures for approval of project documents.	2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
6	UNCRD should ensure that its staff is trained in preparing quality project proposal documents and that these proposals are sent well in advance of the start date of the project for DESA's approval.	Human Resources	Medium	O	Submission to OIOS of documentation indicating that UNCRD staff is adequately trained and that its project proposal submissions are meeting the qualitative requirements and are submitted to DESA in a timely manner.	December 2010
7	DESA, in consultation with UNCRD, should review the work programme and the workplans and examine the reasons for the decline in publications, and ensure that publications are issued in a timely manner.	Operational	Medium	O	Submission to OIOS of the UNCRD 2009-2010 work plan.	2009/2010
8	DESA should strengthen its working relationship with the Government of Japan and other relevant donors.	Operational	Medium	C	Action completed.	Implemented
9	DESA should ensure that all partnership arrangements initiated by UNCRD are formalized in a tripartite Memorandum of Understanding between DESA, UNCRD and the third party, duly approved by DESA in accordance with accepted organizational procedures.	Operational	Medium	O	Submission to OIOS of documentation indicating that all partnerships are supported by an MOU.	2009
10	DESA should ensure that UNCRD's operating reserve is brought in line with existing practice for technical cooperation activities by reducing its cash reserve to an acceptable level and using the available funds for programming substantive activities.	Operational	Medium	O	Submission to OIOS of documentation indicating that the reserves have been programmed appropriately.	2009/2010
11	The DESA Technical Cooperation Management Services should closely monitor UNCRD's discharge of its certifying and approving functions and expeditiously resolve the long outstanding debt to the UNCRD vendor.	Operational	High	O	Submission to OIOS of documentation indicating the settlement of the debt to the UNCRD vendor.	2009
12	DESA should review its current administrative processes with the aim of	Operational	High	O	Submission to OIOS of updated administrative processes.	June 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date <sup>2</sup>
	streamlining procedures and improving the processing time, including procurement approvals for low value items.					
13	With respect to the general service staff member dedicated to UNCRD work, DESA should charge this staff's salary to the UNCRD budget rather than the regular budget.	Human Resources	Medium	O	Submission of documentation indicating the correct charging of the general service staff to the UNCRD budget.	
14	The DESA Technical Cooperation Management Services should regularly monitor UNCRD's human resources policies and practices and review the Centre's delegation of authority pertaining to the recruitment, status, and conditions of service of its staff.	Human Resources	Medium	O	Submission to OIOS of the updated UNCRD guidelines.	2009/2010
15	UNCRD should ensure that the performance of personnel on special service agreements is evaluated on an annual basis.	Human Resources	Medium	O	Submission to OIOS of the updated UNCRD guidelines.	2009
16	UNCRD should strictly comply with the Performance Appraisal System requirements of the UN Staff Rule 101.3.	Human Resources	Medium	O	Submission to OIOS of the completion report for the 2008-2009 PAS for all UNCRD international staff.	2009
17	DESA, in consultation with UNCRD, should rationalize the staffing structure of the Centre with a view to strengthening the staff dedicated to substantive functions and in order for UNCRD to effectively fulfill its mandate.	Human Resources	High	O	Submission to OIOS of the revised staffing structure.	2010
18	DESA should ensure that UNCRD complies with the provisions of ST/AI/231, Revision 1, with respect to the employment of non-reimbursable loan personnel.	Human Resources	Medium	O	Submission to OIOS of the documentation indicating that non-reimbursable loan agreements with the sponsoring organizations have been signed.	
19	The UNCRD Administration should strictly comply with the requirements for the competitive selection of consultants in	Human Resources	Medium	O	Submission to OIOS of the updated UNCRD guidelines.	2009

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	accordance with ST/AI/1999/7.					

1. C = closed, O = open
2. Date provided by DESA and UNCRD in response to recommendations.

## ANNEX 2

*Use this page if the orientation of Annex 2 is portrait. If the orientation is landscape, insert a section break at the end of Annex 1 and continue on the new page. (On the **Insert** menu, point to **Break**, select **Next page** under **Section break types**.) Leave the page blank if not required; do not delete it.*