



Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Retrenchment of staff in UNMIK

The timeframe for implementing the retrenchment exercise was insufficient to ensure fairness, consistency and transparency

28 April 2010

Assignment No. AP2009/650/04

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

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

TO: Mr. Lamberto Zannier,
A: Special Representative of the Secretary-General
United Nations Interim Administration Mission in Kosovo

DATE: 28 April 2010

REFERENCE: IAD: 10- 00323

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

Fatoumata

SUBJECT: **Assignment No. AP2009/650/04 - Audit of retrenchment of staff in the United Nations Interim Administration Mission in Kosovo (UNMIK)**
OBJET: **Administration Mission in Kosovo (UNMIK)**

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 and 6 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendation 3) in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Robert Earl Sorenson, Chief of Staff, UNMIK
Mr. Bernard Lee, Chief of Mission Support, UNMIK
Ms. Hilda A. Otieno, Chief, Human Resources Section, UNMIK
Mr. Paul Johnston, OIC, Field Personnel Division, Department of Field Support
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
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Mr. Seth Adza, Chief, Audit Response Team, Department of Field Support
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Ms. Eleanor T. Burns, Chief, Peacekeeping Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

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

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EXECUTIVE SUMMARY

Audit of retrenchment of staff in UNMIK

OIOS conducted an audit of the retrenchment of staff in the United Nations Interim Administration Mission in Kosovo (UNMIK). The overall objective of the audit was to assess the adequacy and effectiveness of the retrenchment process. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

The Mission has downsized from 4,911 to 507 staff, and further cuts are anticipated. OIOS found that the retrenchment process could have been more effective. There are also lessons to be learned for future retrenchment exercises as follows:

- The period allocated for the retrenchment was not realistic as it did not adequately take into consideration the workload of the exercise including the evaluation and selection of staff. Consequently, the comparative review panels did not have time to adequately evaluate staff and recommend them for selection.
- The performance appraisal system (PAS) was the primary tool used for evaluating and selecting staff to be retained. However, the PAS has been found to be unreliable. For example, PAS ratings for about 30 per cent of staff were not available. In those cases, programme managers gave a performance assessment, which was not in line with the PAS process whereby staff have an opportunity to discuss and provide additional input to their assessment. Moreover, job specific requirements, experience and skills of staff were not adequately considered in the selection process.
- The Mission re-employed eight former staff who had been paid termination indemnities. This was contrary to UNMIK's broadcast to all staff communicating that former staff in receipt of termination indemnities would not be considered for employment for up to three years.

OIOS has made a number of recommendations to improve future retrenchment processes.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of retrenchment in the United Nations Interim Administration Mission in Kosovo (UNMIK). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The UNMIK mandate, under Security Council resolution 1244 of 1999, was to help achieve the overall objective of promoting the establishment of substantial autonomy and self government in Kosovo, pending a final settlement. The Mission performed administrative functions until Kosovo unilaterally declared its independence in February 2008. This declaration of independence changed the political atmosphere and the Mission began to experience resistance impediments to the implementation of its mandate. Therefore, the Secretary-General decided, on 26 June 2008, to reconfigure the international civilian presence in the Mission within the framework of resolution 1244 (1999).

3. Under the reconfiguration plan, the Mission assumed responsibilities for monitoring and reporting on political developments, minority issues and coordinating with the European Union Rule of Law Mission in Kosovo (EULEX). The Mission delegated the rule of law, police and justice, and customs functions to EULEX, who continued operating under the overall authority of United Nations, and within the status-neutral framework of resolution 1244 (1999).

4. The Mission conducted the reconfiguration process in three phases. Consequently, the overall authorized personnel strength for the Mission reduced from 4,911 to 507 comprising 463 civilians, eight UN police, eight military liaison officers and 28 United Nations Volunteers. The Mission budget and staffing levels for the fiscal years 2008/2009 and 2009/2010 are as follows:

Table 1: UNMIK Budget

Fiscal Year	Budget (in million of US Dollars)	Personnel		
		International	National	Total
2008-2009	198	608	2,038	2,646
2009-2010	47	173	290	463

5. Comments made by UNMIK management are shown in *italics*.

II. AUDIT OBJECTIVES

6. The main objectives of the audit were to assess the adequacy and effectiveness of the retrenchment exercise and specifically to assess whether:

- (a) The retrenchment process was conducted in an objective, fair and transparent manner; and
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- (b) Termination indemnities were accurately computed, and timely paid to staff members separated from service.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit covered all three phases of the retrenchment exercise and focused on the following two aspects:

a. Planning including strategy formulation, establishment of staff selection criteria and determination of methodology for implementation of the retrenchment process.

b. Implementation including communication and information, staff evaluation and selection, termination of staff, check-out process including the payment of termination indemnities, and dispute resolution.

8. The audit did not assess the impact of the retrenchment exercise on mandate implementation. Further, the review of termination indemnities was limited to payments made to national staff because DFS was responsible for processing termination indemnities to eligible international staff.

9. The audit methodology involved the review of files and interviews with Mission officials and members of the comparative review panels (CRPs) that were responsible for evaluating and selecting staff. A questionnaire was used to obtain feedback from present and former staff members.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Planning for the retrenchment

Planning for retrenchment

10. The Mission had set up a task force on reconfiguration (TFR) to plan the reconfiguration process and the retrenchment of staff in the Mission. The TFR did not comprehensively consider operational requirements in some sections. This resulted in operational bottlenecks after essential staff had been retrenched. To meet the operational requirements, the Mission had to recruit 48 staff, including former staff, as individual contractors as indicated in the following paragraphs.

11. The Mission Health Care Centre was downgraded to a level-1 clinic and medical personnel downsized based on the assumption that EULEX would provide level-2 hospital facilities to Mission staff. However, no formal agreement was executed and, as at October 2009, EULEX had not set up a level-2 hospital. As a result, the Mission had to consider upgrading the present level-1 clinic to a level-2 hospital and hiring medical staff afresh. The absence of a level-2 hospital may lead to the inability to provide appropriate medical care to Mission staff.

12. The Finance Section, in order to continue carrying out its functions effectively, required about 35 staff until the end of October 2009. This would facilitate timely computation and payments due to retrenched staff. However, finance staff members were included in the retrenchment plan which resulted in fewer staff than initially planned and led to delays in the payment of entitlements.

Recommendation 1

(1) The UNMIK Office of Mission Support should ensure operational requirements of various sections are comprehensively considered during the planning phase of future retrenchment exercises.

13. *The UNMIK Office of Mission Support accepted recommendation 1 and stated that critical functions and operational requirements would be well defined.* Recommendation 1 remains open pending receipt of evidence that the reconfigured Mission structure is appropriate to perform critical functions and meet operational requirements.

Timeframe for the retrenchment process

14. The Secretary-General's instruction dated June 2008 initially set a 120-day timeframe to reconfigure the Mission without a start date. Subsequently, the Department of Peacekeeping Operations (DPKO) set the deadline at 30 June 2009 to synchronize the retrenchment timeframe with the financial year ended 30 June 2009. The retrenchment process involved evaluating the performance of 4,911 staff and selecting 500 for retention. The first phase of the retrenchment exercise commenced in October 2008, and taking into consideration the established timeframe for the entire process, it needed to be completed by February 2009.

15. The tight timeframe for the retrenchment exercise meant that the Mission could not properly organize and implement the process. For example, programme managers were not able to prepare job specific requirements for use when evaluating staff as originally intended. The CRP members were under pressure to meet the deadlines and therefore could not adequately evaluate staff. Furthermore, some of the staff were given two days notice to check out of the Mission, which made it difficult for staff to properly complete the check out process.

16. The Mission explained that concerns were raised with DPKO/DFS and, as a result, the deadline for the exercise was extended to 30 June 2009 from February 2009.

Lack of comprehensive and reliable evaluation and selection criteria

17. The Mission Management, in consultation with DFS, set three objectives for the retrenchment exercise; namely, fairness, consistency and transparency in the selection process. To achieve these objectives, DFS issued the selection guidelines with the primary criterion being a documented record of satisfactory

performance of staff members. In case of a tie among candidates, the guidelines also established secondary criteria, which included gender, nationality and longevity of service to be applied in that order. In these regards, the Mission decided to use the ratings from the performance appraisals for the years 2006/2007 and 2007/2008 as primary evaluation and selection criterion. The rationale for PAS-based evaluation and selection was to reduce programme managers' involvement and to make the process as objective, fair, and transparent as possible. However, OIOS found the PAS to be unreliable and therefore could result in unfair selections as indicated in the below.

18. The PAS rating is susceptible to subjectivity of reporting officers and may therefore not reflect the actual performance of the staff. For instance, all six Civil Affairs staff in Mitrovica Office were rated as consistently exceeding performance expectations for the two years under consideration. Therefore, a combination of PAS rating with other evaluation techniques like competency-based tests/interviews may have resulted in a fairer selection. This was suggested by UNMIK to DFS, but the criteria were not amended.

19. The Retrenchment Guidelines require comparing the performance of staff members occupying posts within the same occupational group, which can be determined using the functional title. OIOS observed that Management varied the requirement and compared the performance of staff members "in the same occupational group/functional title, grade/category and level". This practice disadvantaged staff members who, at the time of the retrenchment, occupied posts other than those for which they were recruited.

20. The Retrenchment Guidelines require programme managers to provide job specific evaluation criteria to the CRPs before the start of evaluation meetings. However, most programme managers did not provide job specific requirements, especially in phases II and III of the retrenchment. The Mission explained that, in order to expedite the process, DFS allowed the use of generic job descriptions in case the programme managers did not provide job specific requirements in time. This made it difficult to assess the competencies of staff against the requirements of specific jobs as generic job descriptions tend to be general and therefore cannot be used as a primary tool for evaluating candidates. This difficulty was particularly true in the cases of a national staff whose job title was administrative assistant although he/she performed non-administrative functions.

21. Discussions with members of the CRPs revealed that PAS ratings were not available for a significant number of staff, which they estimated at 30 per cent of total cases reviewed. In particular, PAS ratings for national staff members were not available for one or both years. In cases where only one PAS was available, CRPs applied the available rating to both years. Where both PAS ratings were not available, CRPs consulted programme managers when assessing the candidate's performance. Non-availability of PAS ratings, which was the primary evaluation and selection criteria, rendered the retrenchment process unfair.

22. OIOS noted that the Mission used paper based PAS and only adopted the electronic PAS (e-pas) on 30 March 2009. Management explained that the Mission could not adopt the e-PAS system at the inception of the Mission in April 2003 because of technical problems. OIOS is of the view however, that the Mission could have taken measures to overcome these difficulties in the last six years. The use of paper PAS instead of e-PAS rendered the PAS reports susceptible to unauthorized changes by replacing the page with the final rating.

23. OIOS is of the view that the use of an evaluation and selection framework that assigns weights to different factors such as PAS rating, interviews, job related qualifications and experience, length of service, staff conduct, etc, would have enhanced achievement of the objectives of fairness, consistency and transparency in the selection process. The Mission should have refined and clarified the criteria with DFS.

24. The Mission explained that the rapidly changing political environment required expedited downsizing of the Mission. The Mission also stated that the Chief Civilian Personnel Officer (CCPO) provided a briefing to the relevant CRPs prior to commencing a selection exercise. OIOS however, noted that the briefing provided to the CRPs did not sufficiently clarify the criteria.

25. OIOS suggested that for future retrenchment exercises, UNMIK in consultation with DFS establish an improved staff evaluation and selection system that take into consideration interviews, analyses of job related qualifications, experience, as well as length of service of staff.

Recommendations 2 and 3

The UNMIK Office of Mission Support should:

(2) Ensure the electronic performance appraisal system is implemented in the Mission and all staff members are appraised annually. Teams or staff conducting evaluation and selection processes in future retrenchment exercises should be provided with copies of performance appraisal reports for all staff under review; and

(3) Liaise with the Department of Field Support and establish a staff evaluation and selection system for future retrenchment exercises that take into consideration interviews, analysis of job related qualifications, experience, UN core values, performance appraisals and length of service of staff.

26. *The UNMIK Administration accepted recommendation 2 and stated that it had been implemented. Based on the action taken by UNMIK, recommendation 2 has been closed.*

27. *The UNMIK Office of Mission Support accepted recommendation 3 and stated that the CRPs were giving due weight to staff members' PAS. The*

comments received do not fully address OIOS' recommendation that a more comprehensive evaluation of staff be conducted to ensure the most qualified and experience staff are retained. Recommendation 3 remains open pending receipt of evidence that the CRPs use suitable criteria for staff evaluation.

B. Inadequate deliberations of the comparative review panels

28. The Mission established CRPs according to the instructions in DFS Retrenchment Guidelines. CRPs consisted of three members including representatives of management and staff. The CRPs were responsible for evaluating and selecting staff using the established criteria. The CCPO briefed the relevant CRP about the PAS criteria before the start of each meeting.

29. OIOS reviewed 100 minutes of CRP meetings and noted that in most cases, proper justifications for selected candidates were missing and details were not provided. Justifications were recorded only for senior staff members at D-1 level. Minutes for the selection of staff below D-1 level showed successful candidates meeting the criteria without mentioning the deliberations regarding the evaluation of the candidates' competence to determine if the staff met the specific job requirements.

30. Discussions with members of the CRPs revealed that they had been under pressure to review between 300 and 400 staff files per day. The timeframe allocated to the evaluation and selection was not adequate, giving the impression that the Mission did not properly assess the workload. For example, the four CRPs that reviewed 2,038 national staff cases were allocated the same time as the CRPs that reviewed 608 international staff cases. Some members of the CRPs stated that they needed 10-15 working days, instead of 5-7 days to perform impartial and objective reviews. CRP members also explained that the briefing by the CCPO was insufficient to meet their needs since most of the members had never participated in staff recruitment and selection processes and therefore were not familiar with staff selection procedures.

31. OIOS suggested that UNMIK ensure adequate time is allocated for evaluating and selecting staff during future retrenchment exercises taking into consideration the workload and the need for objectivity, fairness and transparency. While the Mission agreed, they clarified that the downsizing was carried out based on the General Assembly mandate and the timeframe was beyond the control of the Mission. The Mission therefore was left with no option but to expedite the process.

32. OIOS noted that due to the lack of sufficient time, the CRPs for national staff did not properly review individual staff files and performance appraisal but instead relied mainly on worksheets prepared by the Office of the CCPO. CRPs also did not verify the authenticity of the information provided in the worksheets.

Recommendation 4

(4) The UNMIK Office of Mission Support should ensure that staff who are responsible for evaluating and selecting candidates during future retrenchment are adequately trained on the methodology and application of the criteria to be used.

33. *The UNMIK Office of Mission Support accepted recommendation 4 and stated that the Chief Human Resource Section and the staff who are trained in Field Comparative Review Board and/or Field Comparative Review Panel processes will informally brief the CRPs.* Recommendation 4 remains open pending receipt of documentation showing that the briefings have been done.

C. Lack of mechanisms for dispute resolution

34. Change brings anxiety on staff and having a dispute resolution system provides an avenue for addressing staff complaints. The Mission did not constitute and communicate a system for addressing disputes arising from the retrenchment exercise. Staff addressed their complaints to various offices such as the CCPO, Conduct and Discipline Unit, the Chief of Mission Support and the Secretary-General. The Mission received eight complaints regarding the retrenchment procedures. However, the Mission did not provide proof that it responded or took corrective action to bring closure to the cases. The delay in providing responses might affect the image of the Mission as the affected staff members may seek legal redress to resolve their grievances.

Recommendation 5

(5) The UNMIK Office of Mission Support should ensure that decisions are taken and responses communicated to former staff to bring closure to all the complaints received.

35. *The UNMIK Office of Mission Support accepted recommendation 5 and stated that any staff member who was not satisfied with the outcome of CRP process was entitled to appeal to the SRSG for further action.* Recommendation 5 remains open pending receipt of documentation showing that all the complaints received in the Mission relating to the retrenchment process have been dealt with and closed.

D. Termination Indemnities

36. The Department of Management authorized the payment of termination indemnities to staff that have been retrenched by the Mission in accordance with the provisions of the Staff Regulations and Rules. OIOS did not find any shortcomings in the payment of termination indemnities amounting to \$10.5 million for 1,098 national staff.

37. OIOS noted however, that the Mission re-employed eight national staff members who had been retrenched and paid termination indemnities. The

recruitment of the staff was contrary to the Mission broadcast to staff that former staff members in receipt of termination indemnity would not be considered for employment for up to three years.

38. The re-employment of former staff amounted to double compensation because staff members were re-employed within the same period for which termination indemnity had paid. The staff members were not asked to return the termination indemnities paid to them. The Field Staff Union complained to the Office of Mission Support as the re-employment of former staff was deemed unfair.

Recommendation 6

(6) The UNMIK Office of Mission Support should ensure consistency in implementing its decisions including the decision not to re-employ former staff who had been paid termination indemnity within three years of their termination.

39. *The UNMIK Office of Mission Support accepted recommendation 6 and stated that the Mission would opt for temporary re-employment of the staff only under exceptional circumstance, after having established that it was absolutely essential for operational reasons and smooth functioning of the Mission.* Based on assurances provided by Management, recommendation 6 has been closed.

E. Lessons learnt

40. There was no evidence to show that minutes of CRPs were reviewed and any ambiguities clarified. In addition, the Mission did not put in place a feedback mechanism to obtain information from members of the CRPs that could be used to improve the process. Such a mechanism could have included evaluation questionnaires, individual interviews or group debriefing sessions with panel members. The Mission may have missed a valuable opportunity to learn lessons that would have assisted in improving the process and any other considerations in future retrenchment exercises.

Recommendation 7

(7) The UNMIK Office of Mission Support should ensure that a feedback mechanism which includes evaluation questionnaires, interviews and debriefing sessions is implemented in future retrenchment exercises to learn lessons for process improvement.

41. *The UNMIK Office of Mission Support accepted recommendation 7 and stated that the Mission would establish a mechanism whereby members of CRPs would be able to provide suggestions to improve the process.* Recommendation 7 remains open pending receipt of evidence that the Mission has established mechanisms documenting lessons learnt to enhance future retrenchment processes.

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The UNMIK Office of Mission Support should ensure that the operational requirements of various sections are comprehensively considered during the planning phase of future retrenchment exercises.	Operational	Medium	O	Pending receipt of evidence that the reconfigured Mission structure is appropriate to perform critical functions and meet operational requirements.	February 2010
2	The UNMIK Office of Mission Support should ensure that electronic performance appraisal system is implemented in the Mission and all staff members are appraised annually. Teams or staff conducting evaluation and selection processes in future retrenchment exercises should be provided with copies of performance appraisal reports for all staff under review.	Human resources	Medium	C	Action taken.	Implemented
3	The UNMIK Office of Mission Support should liaise with the Department of Field Support and establish a staff evaluation and selection system for future retrenchment exercises that take into consideration interviews, analysis of job related qualifications, experience, UN core values, performance appraisals and length of service of staff.	Strategy	High	O	Pending receipt of evidence that the CRPs use suitable criteria for staff evaluation.	February 2010
4	The UNMIK Office of Mission Support should ensure that staff who are responsible for evaluating and selecting candidates during future retrenchment are adequately trained on the methodology and application of the criteria to be used.	Human resources	Medium	O	Confirmation that CRPs briefings have been done.	February 2010
5	The UNMIK Office of Mission Support should ensure that decisions are taken and responses communicated to former staff to bring closure to all the complaints received.	Human resources	Medium	O	Pending receipt of documentation showing that complaints received by the Mission have been dealt with.	February 2010
6	The UNMIK Office of Mission Support should ensure consistency in implementing its decisions	Human resources	Medium	C	Action taken.	Implemented

7	including the decision not to re-employ former staff who had been paid termination indemnity within two to three years of their termination.	The UNMIK Office of Mission Support should ensure that a feedback mechanism which includes evaluation questionnaires, interviews and debriefing sessions is implemented in future retrenchment exercises to learn lessons for process improvement.	Operational	Medium	O	Pending receipt of evidence that the Mission has established mechanisms documenting lessons learnt to enhance future retrenchment processes.	31 March 2010
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1. C = closed, O = open
2. Date provided by UNMIK in response to recommendations.