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EXTERNAL RELATIONS

(b) Joint Inspection Unit

Note by the Secretary-General

SUMMARY

<i>Executive summary:</i>	This document provides information and comments on JIU reports received since C 116
<i>Strategic direction:</i>	1.1
<i>High-level action:</i>	1.1.2
<i>Output:</i>	1.1.2.14
<i>Action to be taken:</i>	Paragraph 23
<i>Related documents:</i>	None

INTRODUCTION

1 Since the 116th session of the Council in July 2016, the Secretary-General has received the following JIU reports which contain recommendations addressed to him and the Council:

- .1 "Succession planning in the United Nations system organizations" (JIU/2016/2);
- .2 "Fraud prevention, detection and response in United Nations system organizations" (JIU/REP/2016/4);

Copies of the aforementioned reports are available from the website of the JIU at <https://www.unjiu.org/en/reports-notes/Pages/reports.aspx>.

2 The Secretary-General and the senior management have given due consideration to the reports and their recommendations and the comments provided in the ensuing paragraphs are on those recommendations that are applicable and germane to the role and functions of the Organization.

SUCCESSION PLANNING IN THE UNITED NATIONS SYSTEM (JIU/REP/2016/2)**General**

3 The objectives of this system-wide review are to follow up and assess the progress made in developing a framework for a succession planning strategy and implementing relevant policies; to identify succession planning challenges and propose solutions; to identify and disseminate best/good practices; and, to propose benchmarks for succession planning.

4 The report contains four recommendations all of which require action by IMO. Recommendation 1 and Recommendation 4 are addressed to the legislative organs and the United Nations Secretary-General respectively. The remaining two recommendations are addressed to the executive heads of the organizations. The four recommendations applicable to IMO, together with comments thereon, are provided in the following paragraphs.

Recommendation 1

The legislative/governing bodies of the United Nations system organizations should exercise their oversight role and examine the causes for the lack of, and/or the delay in, the introduction of formal succession planning in their respective organizations, including the adequacy of current funding; and request the executive heads of these organizations to develop formal succession planning without any further delay, by the end of 2017.

Recommendation 2

The executive heads of the United Nations system organizations, who have not yet done so, should instruct their human resources management offices to develop and implement appropriate frameworks for succession planning strategies, and devise appropriate guidelines on the succession planning process without any further delay, by the end of 2017.

Recommendation 3

The executive heads of the United Nations system organizations should instruct their human resources management offices to adopt the benchmarks set out in the present report with a view to ensuring that their organizations have a sound succession planning process, and should report on the progress made to their legislative/governing bodies.

5 The Secretary-General agrees with recommendations 1, 2 and 3, and will report to the Council in 2017 on the progress with development and introduction of formal succession planning. Succession planning does not work in isolation and is underpinned by a number of other critical processes that are interlinked. Career development and succession planning go hand in hand, and the Secretariat has already developed a prototype career development programme and is working on strengthening other critical processes such as recruitment, performance management and staff development. With regard to recommendation 3, IMO already follows the benchmarks by adopting a holistic approach with the introduction of the building blocks targeting all the interrelated and necessary activities that complement succession planning. Career development discussions, post-test and interview feedback, identification of learning needs, catering to develop opportunities such as mobility and training programmes are being conducted. The Secretariat will review the benchmarks more closely and fine tune the career development and succession planning strategy accordingly.

Recommendation 4

The Secretary-General of the United Nations, in his capacity as Chair of the United Nations System Chief Executives Board for Coordination, should ensure that succession planning is reinstated as a main agenda item of the Human Resources Network of the High-level Committee on Management, and given the utmost attention and most serious consideration in the future sessions of the Network.

6 The Secretary-General supports this recommendation.

FRAUD PREVENTION, DETECTION AND RESPONSE IN THE UNITED NATIONS SYSTEM ORGANIZATIONS (JIU/REP/2016/4)

General

7 This report examines fraud prevention, detection and response in the United Nations system at the conceptual and operational levels. Special attention was paid to most fraud-prone activities and high risk environments, including fraud related to procurement, contract management, staff recruitment, entitlements, project management, and the selection and management of third parties such as implementing partners. Anti-fraud measures play an equally important role in enhancing the accountability and effectiveness of the United Nations system and in promoting appropriate oversight and the responsible use of resources. The report identifies areas of common challenges and makes recommendations based on leading practices in the public and private sector and the experiences of the multilateral organizations reviewed.

8 The report contains 16 recommendations of which one recommendation (recommendation 16) is addressed to the legislative and governing bodies and the remaining 15 to the executive heads. The 16 recommendations, together with comments thereon, are provided in the following paragraphs.

Recommendation 1

The Secretary-General of the United Nations and the executive heads of other United Nations system organizations should, in the framework of the Chief Executives Board (CEB), adopt common definitions regarding fraudulent, corrupt, collusive, coercive, and obstructive practices and present these to their respective legislative and governing bodies for endorsement. In this regard, the definitions used by the multilateral development banks should be considered for adoption. Concurrently, a joint statement with a clear and unambiguous position on fraud should be adopted by the CEB to set an appropriate "tone at the top" on a system-wide basis.

9 The Secretary-General supports the efforts of the CEB to develop and adopt clear and common definitions of fraudulent practices. IMO is a member and active participant in the task-force set up to establish common definitions for fraudulent practices.

Recommendation 2

The executive heads of the United Nations system organizations, if they have not already done so, shall develop a corporate anti-fraud policy for their respective organizations or update an existing one, taking into account leading practices in the public and private sectors. The policy should be presented to the legislative and governing bodies for information, adoption and/or endorsement and should be reviewed and updated regularly.

10 IMO has an existing Policy and Procedures on the Prevention and Detection of Fraud and Serious Misconduct which is an appendix to the IMO Staff Regulations and Staff Rules. The Secretariat will conduct a review of the current policy and procedures and will revise them where necessary, to ensure that leading practices in the public and private sectors are taken into account.

Recommendation 3

The executive heads of the United Nations system organizations should take expeditious action to designate an overall corporate manager or entity at senior level to be the custodian of the anti-fraud policy and be responsible for the implementation, monitoring and periodic review of the policy.

11 The Secretary-General agrees with this recommendation. The provisions of the existing IMO Policy and Procedures on the Prevention and Detection of Fraud and Serious Misconduct already designates the Internal Oversight Services of the Internal Oversight and Ethics Office as the "reporting facility" to receive and investigate complaints or information concerning the possible existence of fraudulent activities, and it is therefore logical for the Internal Oversight and Ethics Office to be the overall corporate manager responsible for implementation, monitoring and periodic review of the policy.

Recommendation 4

On the basis of a comprehensive needs assessment, the executive heads of the United Nations system organizations should establish a dedicated anti-fraud training and fraud awareness strategy for all members of the organization. At a minimum, anti-fraud training should be mandatory for staff in functional areas most prone to fraud and staff operating in fragile and high-risk field environments.

12 The Secretary-General supports the objective of this recommendation and will give due consideration to the requirement for key staff members to receive training dedicated to anti-fraud measures and fraud awareness.

Recommendation 5

The executive heads of the United Nations system organizations should, if they have not already done so, conduct a comprehensive corporate fraud risk assessment, as an integral part of their enterprise risk management system or as a separate exercise, addressing fraud risks at all levels of their respective organization, including headquarters and field offices, as well as internal and external fraud risks. Such assessments shall be conducted at least biennially at the corporate level, and more frequently, based on need, at the operational level.

Recommendation 6

The executive heads of the United Nations system organizations, if they have not already done so, should develop organization-specific comprehensive anti-fraud strategies and action plans for implementing their respective fraud policies. Such anti-fraud strategies should be based on the organization's corporate fraud risk assessments and shall be an integral part of the overall organizational strategies and operational objectives. Based on the level of fraud risk, proportionate resources should be dedicated to operationalize the strategies and action plans.

13 The Secretary-General supports the overall objective of recommendations 5 and 6. The issue of fraud was considered in the Risk Management Exercise for 2016-2017; however, fraud was not considered a risk that should be included in the risk register. In order to ensure that the matter is assessed at regular intervals, instructions will be issued to all Division/Department Directors as part of the regular memo issued prior to the start of the risk management exercise that each Division/Department should consider, identify and assess fraud risks during the regular risk management exercise. The Secretary-General notes that due to a lack of a field presence, limited engagement of third-party contractors and limited procurement function by virtue of the Organization's size, full implementation of recommendation 6 may be disproportionate to the degree of fraud risk, and therefore may not result in a net benefit to the Organization.

Recommendation 7

The executive heads of the United Nations system organizations, if they have not already done so, should initiate a review of their internal control framework to ensure that proportionate anti-fraud controls do exist and that fraud risks identified in the fraud risk assessments are adequately addressed in the internal control frameworks.

14 The Secretary-General agrees with this recommendation. As noted above, the Risk Management Exercise for 2016-2017 did not identify incidences of fraud risk at levels necessary to include in the risk register, and consequently no changes to the internal control framework are necessary at this time. Should future risk management exercises identify areas of concern, potential proportionate changes to the internal control framework will be considered at that time as a part of the risk mitigation activities.

Recommendation 8

When introducing or updating statements of internal controls, the executive heads of the United Nations system organizations should ensure that the statements address the adequacy of organization-wide anti-fraud controls, in accordance with good practices and applicable international standards. In the absence of a formal statement of internal controls, executive heads should certify in their annual reports to legislative and governing bodies that their organization has in place proportionate anti-fraud controls based on fraud risk assessments, and that appropriate fraud prevention, detection, response and data collection procedures and processes exist.

15 As the Council will be aware, the Secretary-General issued the Organization's first Statement on Internal Control along with the 2015 financial statements, and work on the 2016 Statement has already begun. The Secretary-General supports this recommendation and will review the Statement on Internal Control template and process to see how it might best be incorporated in future years.

Recommendation 9

The executive heads of the United Nations system organizations should instruct their legal offices to review and update the legal instruments for engaging third parties, such as vendors and implementing partners, with particular attention to anti-fraud clauses and provisions.

16 The Secretary-General supports this recommendation and will instruct the Legal Affairs Office to keep under review and, where necessary, update the legal instruments for engaging third parties, such as vendors and implementing partners, with particular attention to anti-fraud clauses and provisions, in line with good practices. When engaging third parties such as vendors, the IMO General Terms and Conditions, which are published on the IMO website, apply. Those Terms and Conditions are under constant review by the Legal Affairs Office and are updated as and when appropriate. They contain an anti-fraud clause aimed at ensuring that no IMO Official has received or will be offered by the Contractor any direct or indirect benefit arising from the Contract or the award thereof.

Recommendation 10

The executive heads of the United Nations system organizations should ensure that proportionate fraud prevention and detection capabilities are an integral part of automation systems' functionalities, including automated activity reports and data-mining modules in their respective enterprise resource planning systems (ERPs).

17 This is the current practice at IMO. As part of its ERP system, IMO uses internal control and system security mechanisms to safeguard against fraudulent and erroneous activities. These mechanisms are designed to ensure the security, consistency, confidentiality and safety of data and transactions in the ERP system. Some of the internal controls in place include budget commitment approval by designated officials, established budget ceiling for designated budget officers, two-tier purchase document approval for high value purchases, role based user access and authorization management based on segregation of duties, segregation of the creation of master data and transactional data, immediate revoking of access to SAP system based on personnel actions (for example separation, retirement, role change), use of exception reporting for monthly payroll payments, duplicate checks for data contained in the SAP system, and audit trail on transactions processed in the ERP system.

Recommendation 11

The executive heads of the United Nations system organizations, if they have not already done so, should revise their whistle-blower policies with a view to adopting good practices, and extend the duty to report fraud and other misconduct to contract employees, United Nations volunteers, interns and other non-staff, as well as to third parties, including vendors, suppliers, and implementing partners.

18 The Secretary-General agrees with this recommendation. An IMO Policy on the protection against retaliation for reporting misconduct and for cooperating with duly authorized audits or investigations was introduced in 2015 which adopts the model United Nations Policy text. The Secretariat will review its current whistle-blower policies and procedures and update them where necessary.

Recommendation 12

The executive heads of the United Nations system organization, if they have not already done so, should implement the good practice of establishing a central intake mechanism for all fraud allegations in their respective organizations. In the interim, for organizations with decentralized intake mechanisms, immediate action should be taken to: (a) establish an obligation for decentralized intake units to report to a central authority any allegations received, ongoing cases under investigation and closed cases, indicating the action taken; and (b) establish formal intake procedures and guidelines, including: clear criteria for the preliminary assessment, the official, office or function authorized to make the assessment, the process to be followed and the arrangements for reporting on the results of the preliminary assessments.

19 The Secretary-General agrees with this recommendation and can confirm that IMO does have a central intake mechanism for all fraud allegations, namely, the Internal Oversight and Ethics Office.

Recommendation 13

The executive heads of the United Nations system organizations, in consultation with the audit advisory committees, should ensure that the investigation function of their respective organizations establishes key performance indicators for the conduct and completion of investigations, and has adequate capacity to investigate, based on a risk categorization and the type and complexity of the investigations.

20 The Secretary-General agrees with the objective of this recommendation and confirms that existing Key Performance Indicators are already in place for the timely commencement and completion of investigations.

Recommendation 14

The executive heads of the United Nations system organizations, in consultation with the Office of Legal Affairs (OLA) of the United Nations, and their respective legal offices, should strengthen existing protocols and procedures for referrals of fraud cases (and other misconduct) to national enforcement authorities and courts for criminal and civil proceedings, as well as for asset recovery, and ensure that referrals are done in a timely and effective manner.

21 Each case of fraud is unique and must be judged on its facts. Therefore, the decision to refer a case must take into account those facts, implications on the privileges and immunities of the Organization, the legal system of the national authority, and other factors. IMO procedures will be reviewed and revised, where necessary, to ensure that these factors are taken into consideration before a referral to national authorities is made.

Recommendation 15

The executive heads of the United Nations system organizations should present to their legislative and governing bodies on an annual basis a consolidated and comprehensive management report on the performance of anti-fraud activities, based on key performance indicators. The report shall include, inter alia, the level of fraud exposure, status of compliance with anti-fraud policies, fraud statistics, sanctions imposed, fraud losses and recovery of assets, and lessons learned.

Recommendation 16

The legislative and governing bodies of the United Nations system organizations should: place on their respective agendas a permanent or standing item relating to fraud prevention, detection and response; review on an annual basis the consolidated and comprehensive management report presented by the executive head on anti-fraud policy and activities; and provide high-level guidance and oversight on fraud-related matters.

22 With regard to recommendations 15 and 16, the Secretary-General considers that, whilst acknowledging the importance of transparency in relation to IMO's anti-fraud activities, due to the size of the Organization and its limited engagement in activities considered "high fraud risk", it would be a disproportionate use of resources to impose the requirement both on the Secretariat to submit an annual consolidated and comprehensive management report on anti-fraud policy and activities and on the IMO Council to dedicate a portion of the IMO agenda to anti-fraud related activities. The Secretary-General assures the Council that reporting on anti-fraud related activities will be dealt with on an ad-hoc basis as and when anti-fraud related activities are conducted within the Secretariat.

ACTION REQUESTED OF THE COUNCIL

23 The Council is invited to take note of the information contained in this document and to consider and decide, as appropriate, on the Secretary-General's comments therein.
