

Report on the 2007 Filing & Review Cycle – prepared by the UN Ethics Office in conjunction with PricewaterhouseCoopers LLP

September 2008

Section 1: Introduction

The purpose of this report is to present the findings of both the Ethics Office and PricewaterhouseCoopers LLP (PwC) following the completion of the 2007 Financial Disclosure Programme. Statements were due to be submitted by relevant staff in May 2007; the reporting period of each statement was the 2006 calendar year. PwC conducted the review of all statements between July & December 2007 and their Final Report was submitted to the Ethics Office on 28 February 2008.

Section 2: Background

The Ethics Office is mandated to administer the financial disclosure programme as a means of maintaining and enhancing public trust in the integrity of the Organization. The primary purpose of the financial disclosure programme is to ensure that potential conflicts of interest arising from staff members' financial holdings, private affiliations or outside activities can be identified, and advice provided as to how best to manage the situation in the best interests of the United Nations. This may result in staff members being advised of an appropriate course of action, such as divesting themselves of holdings, or recusing themselves from a particular activity or aspect of their official functions.

The General Assembly mandated that the statements submitted each year should be confidentially reviewed by an external financial firm. PwC were awarded the contract following an established international public tender and evaluation procedure held in 2006. PwC commenced the first external review of staff members' financial disclosure and declaration of interest statements for the 2005 reporting period on 6 December 2006. The current contract is due to terminate in 2009, at which juncture the responsibility for the review and system hosting may revert to the Organization.

Section 3: Overview

A. 2007 FINANCIAL DISCLOSURE PROGRAMME OVERVIEW

Two thousand, five hundred and fifty-eight (2,528) staff members were required to comply with the 2007 Programme by submitting either a financial disclosure statement ("FD statement") or a declaration of interest statement ("DI statement"). The FD statement required the full disclosure of a staff member's, staff member's spouse and dependents assets, liabilities and outside activities.

Annually, the relevant heads of departments or office determine who must file a confidential financial disclosure statement, based on the following:

- All staff members at the D-1/L-6 level and above;
- All staff (regardless of grade) whose principal duties include procurement or investment functions; and

- All staff with access to confidential procurement or investment information.

As well, staff serving in the Ethics Office must file financial disclosure statements.

The 2007 financial disclosure cycle was the first year that an on-line filing system was used for staff to complete and submit their statements. Information is stored in a secure encrypted database with linkages to the site governed by a UN designated third-party secure socket layer (SSL) digital certificate provider. Staff were required to file using the newly created online filing system; no paper filings were accepted.

In advance of the 2007 Programme, the Ethics Office and PwC also developed an online training programme to familiarize staff members with the process, language and requirements of the financial disclosure programme. The training package was made available to all staff in both English and French. Additionally, the Ethics Office visited eight duty stations in April & May 2007 in order to provide direct outreach and training to staff regarding the programme and its new developments.

Due to issues associated with the development of the first online filing system the 2006 filing cycle began in May 2007, instead of the normal filing period during the month of March.

All participating staff members were required to disclose information as of the end of the 2006 calendar year. The deadline for the 2007 filing cycle was 31 May 2007; however, for 525 staff members (i.e. 21 percent of the total population) the 31 May 2007 deadline was extended by 30 days, due to technical/password problems associated with the introduction of the new online financial disclosure system.

B. PWC MANDATE OVERVIEW

PwC served as the External Financial Disclosure Office for the UN 2007 Financial Disclosure Programme. Each year, in accordance with the terms of the contract with PwC, the Ethics Office must approve the analytical framework whereby PwC reviews each submission.

C. REVIEW OF STATEMENTS OVERVIEW

The PwC Review Team analyzes each submitted Statement to determine whether an actual, apparent, or potential conflict of interest exists between the staff members' personal holdings and the staff member's official duties and responsibilities. Each staff member's title, role and responsibility, regional/country focus, origin and location of work are considered along with his/her disclosed private interests. These disclosed private interests include the staff member's and the staff member's spouse and dependents personal assets, liabilities, sales of investments, non-UN income, and non-UN leadership roles and activities, particularly as they relate to the work or activities of the United Nations.

D. VERIFICATION OF STATEMENTS OVERVIEW

The 2007 financial disclosure programme also included the verification of information, based on a random selection of staff members who are required to

submit a FD statement. This verification process involved the submission, analysis, and confirmation of third party documentation to substantiate each of the items disclosed in the staff members' FD statement. The selection is conducted by PwC, but is designed to ensure it encompasses varying departments/offices, grades/levels and duty stations of the UN.

Section 4: Results

A. REVIEW

- ***Compliance with the programme***

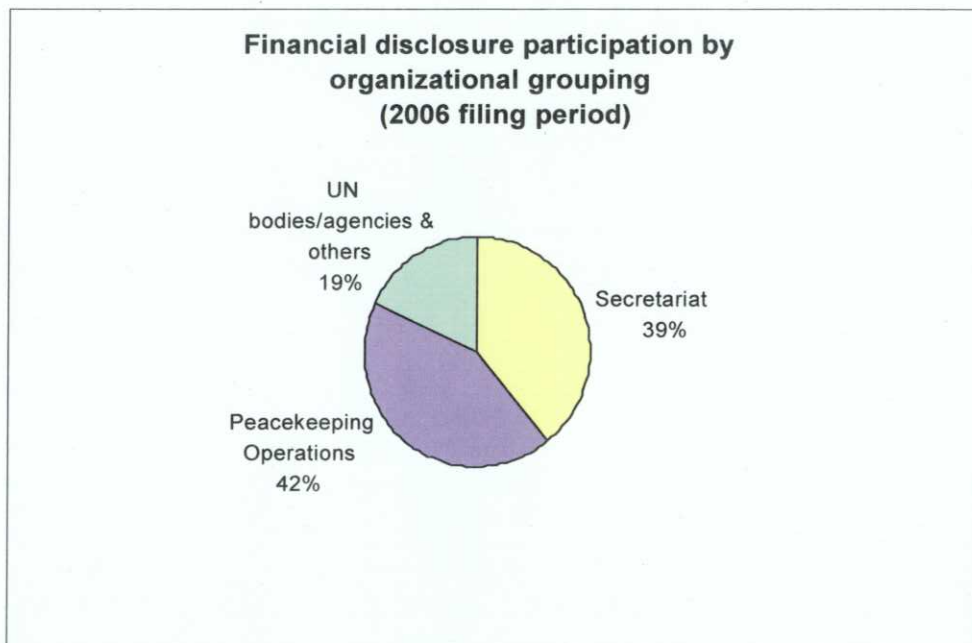
A total of 2,528 staff members were required to file a financial disclosure or declaration of interest statement, for the 2007 filing cycle which covered the period of 01 January – 31 December 2006.

A total of 92 % of staff complied with their obligation; 7% or 172 staff members did not file a confidential financial disclosure or declaration of interest statement as of 31 December 2007; the remaining 1%, as a consequence of retirement or separation from service were not required to file.

Despite considerable follow-up by the Ethics Office and by the heads of departments, there was a higher rate of non-compliance by staff members than for the previous year (i.e. 34 staff members). This increase is likely explained as it was the first year for all staff to file their statements using only the new online filing system. The 7 % (172 staff members) who had not complied were referred to the Office of Human Resources Management for disciplinary action.

Chart 1 below presents the breakdown of the distribution of participants in the financial disclosure programme for the 2007 filing cycle into the following organizational groupings: (i) the Secretariat (including UN departments/offices and entities which are listed in the Secretary General's Bulletin SG/SGB/1997/5 and whose budget is covered from the UN regular budget); (ii) peacekeeping operations; and (iii) UN bodies/agencies and others.

Chart 1



- ***Acceptance and understanding of the programme***

While there was an increase in the number of non-complaint staff members during this (2007) cycle, there were however, positive indicators regarding the understanding and acceptance by staff members of the programme requirements and processes. For the 2007 Programme there was an increase in the acceptance and understanding of the Programme for the analysis process as shown in the accompanying Chart 2.

Chart 2

| Programme Adherence | | | | |
|--|------------|-----|------------|-----|
| Analysis Results | 2006 Total | % | 2007 Total | % |
| Statements Submitted by the Date of the Final Report | 1,656 | 97% | 2,329 | 92% |
| Statements Submitted by the Submission Deadline Date | 799 | 47% | 1,452 | 57% |
| Staff Members who Received Reminder Emails due to Non-Responsiveness | 329 | 20% | 349 | 15% |
| Staff Members Referred to the UNEO due to Non-Responsiveness | 165 | 10% | 192 | 8% |

- ***Reducing organizational risk for conflicts of interest***

In identifying organizational risk for conflicts of interest, PwC identified 21 cases, that is less than 1% of the cases reviewed, as having a potential conflict of interest. In relation to these 21 cases, nineteen staff members accepted PwC's advice regarding the appropriate compliance arrangement.

The two (2) staff members' cases were referred to the Ethics Office for final resolution per the request of the individual; in these cases, the Ethics Office upheld the original determination made by PwC.

B. VERIFICATION PROCESS

Part of the financial review process conducted by PwC requires that a random selection of participating staff members are required to provide, in confidence, third-party documentation in support of their confidential disclosures. Of the staff members who were randomly selected for the verification process, 24% had minor (non-significant) discrepancies between their Statement and the third party documentation submitted as compared to 19% for the previous year.

Also, 4 staff members were referred to OHRM for not complying with their obligations under the Verification Process of the Programme.

Section 5: Observations

PwC's role in the Programme is to assist the UN in enabling full compliance with the Programme, to continue to improve the objective nature and effectiveness of conflict of interest analysis procedures, and to further communicate and clarify the financial disclosure process to staff members.

In their final status report for the 2007 Review cycle, PwC identified certain areas of improvement. Below is a summary of some of the key observations made by PwC and concurred with by the Ethics Office:

1. That the financial disclosure communications be further expanded to increase the global reach of the Programme. Expanding communications and providing several avenues to communicate with staff members will help to increase adherence to the Programme policies and processes, reduce the risks for conflicts of interest, and increase Programme understanding.
2. That the statements be slightly modified to improve the effectiveness of the conflict of interest analysis procedures. The recommendations to modify the statements have been identified in response to the feedback received and the incomplete statements submitted. These modifications should increase staff member's understanding of the Programme requirements.
3. That the verification process be improved by increasing the time permitted for staff members to provide the requested third-party documentation.
4. That the UNEO leverage the UN heads of departments to help facilitate the administration of the Programme. Involving the UN heads of departments in an active role in the administration of the Programme would further reinforce communications from the UNEO to staff members. As a result of this recommendation, the respective UN heads of departments would become responsible and accountable for the compliance of the staff members within their respective departments, leading to an increase in staff members' adherence to the Programme's policies and processes.

Section 6: Conclusion

But for the increased number of staff members who failed to file, the remaining staff members who did submit a confidential financial or declaration of interest statement are to be commended for their compliance and co-operation with the Programme; particularly as this was the first year in which the new online filing system was the only means by which a staff member could file their statements. It must be emphasised once again however, that all staff and management need to fully meet their roles and responsibilities within the programme so that collectively we safeguard the interests of the UN and its staff members.

The Ethics Office has already finalised, in March 2008, a review of the analytical review framework applied by PwC, so as to include a more comprehensive analysis of the 2008 submissions. The number of staff included in the random sample for the verification process was also increased. In preparation for the launch in March 2008 of the 2008 Programme, the Ethics Office updated, improved and built-upon the training resources available to staff and the communication materials used throughout the programme.

In the second half of 2007, both UNITAR and UNRWA requested to join the financial disclosure programme, as administered by the UN Ethics Office. The Ethics Office continues to liaise with those UN Entities who have not yet joined the programme in order to encourage standard-setting and share best-practice.

The financial disclosure programme contributes to improving accountability efforts, enhancing the ethical mindset of the Organization, and helping increase confidence in the United Nations; the 2007 filing cycle of the Programme, and the major developments therein, represented a significant building-block in the developmental process of this important and prominent Programme.