



**Office of Internal Oversight Services
Internal Audit Division II**

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01 February 2005

TO: Mr. Klaus Toepfer, Director-General
United Nations Office at Nairobi (UNON)

FROM: Egbert Kaltenbach, Director
Internal Audit Division II, Office of Internal Oversight Services (OIOS)

SUBJECT: **OIOS Audit of UNON Administration of Entitlements - Home leave and rental subsidy (AA 2004/211/04)**

1. I am pleased to submit the final report on the Audit of UNON Administration of Entitlements - Home leave and rental subsidy, which was conducted in Nairobi, Kenya in July and August 2004, by Tetsuya Hirano and Humphrey Kagunda. A draft of the report was shared with the Chief, Staff Administration Section in December 2004, whose comments, which were received on 17 January 2005, have been reflected in the final report.

2. I am pleased to note that the audit recommendations contained in this final report have been accepted and that UNON has initiated their implementation. The table in paragraph 23 of the report identifies those recommendations, which require further action to be closed.

3. I would appreciate it if you could provide an update on the status of implementation of the audit recommendations not later than 31 May 2005. This will facilitate the preparation of the twice-yearly report to the Secretary-General on the implementation of recommendations, required by General Assembly resolution 48/218B. Please note that OIOS is assessing the overall quality of its audit process. I therefore kindly request that you consult with your managers who dealt directly with the auditors, complete the attached client satisfaction survey form and return it to me under confidential cover.

5. I would like to take this opportunity to thank you and your staff for the assistance and cooperation extended to the audit team.

Attachment: Final audit report

cc: Mr. A. Barabanov, Chief, DAS, UNON (by e-mail)
Mr. S. Elmi, Chief, HRMS, UNON (by e-mail)
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United Nations
Office of Internal Oversight Services
Internal Audit Division II

Audit Report

Audit of UNON Administration of Entitlements - Home leave and rental subsidy
(AA2004/211/04)

Report Date: 01 February 2005

Auditors: Tetsuya Hirano
Humphrey Kagunda



**Office of Internal Oversight Services
Internal Audit Division II**

**OIOS Audit of UNON Administration of Entitlements - Home leave and rental
subsidy**

(AA 2004/211/04)

EXECUTIVE SUMMARY

In July and August 2004, OIOS conducted an audit of UNON Administration of Entitlements - home leave and rental subsidy. The audit covered approximately US\$1.5 million paid to 319 staff members who went on home leave in 2003 and approximately US\$140,000 paid as rental subsidy in 2003 to 95 staff members. This audit followed up on work done in 1999 and 2002.

The audit found that SAS has made progress since 2002 in putting in place controls to safeguard the UN against losses and to ensure that staff receive appropriate entitlements. Whilst the audit did not disclose any over or underpayments, OIOS did identify some areas where controls over home leave and rental subsidy could be further strengthened. In its response to the draft report, which OIOS received on 17 January, UNON indicated that it is taking actions in all the areas identified and OIOS would like to thank UNON for prompt action taken in response to its recommendations.

In the administration of home leave the following steps should be taken:

- Ensuring that place of home leave is adequately recorded in the system.
- Putting in place a mechanism to assist Human Resources Officers to determine the correct home leave cycle taking into account the fact that the number of eligible staff members of UNON, UNEP, and UN-HABITAT is approximately 700 spread over 49 duty stations some of which have a 24-month-cycle and some a 12-month-cycle.
- Ensuring that documentation to support lump sum calculations is kept in staff members files to enable subsequent verification.
- Clarifying time required processing a home leave request and how far in advance requests should be submitted.
- Requesting staff members with less than six months on their contracts applying for home leave to sign letters of undertaking to reimburse the cost of home leave at the end of their contracts in the event that their contracts are not renewed.

In the administration of rental subsidy the following steps should be taken:

- Adding a mechanism for handling the review and approval of the rental ceiling in Nairobi.
- Establishing procedures dealing with how the monthly rental ceiling for Offices Away from Nairobi should be calculated, who is responsible for its calculation and approval and who is responsible for review and approval of requests for rental subsidy above the ceiling.
- Clarifying who the lead agency is at each of the duty stations and whom within this lead agency the Administrative and Fund Management Officers should liaise with.
- Clarifying what should be done in cases where charges for electricity, telephone, water, security arrangements, household employees etc are included in the rent.

January 2005

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I. INTRODUCTION

1. This report discusses the results of an OIOS audit of UNON Administration of Entitlements - home leave and rental subsidy. The audit was carried out in July and August 2004, in accordance with the International Standards for the Professional Practice of Internal Auditing.

Home Leave

2. Staff members regarded as international recruits under staff rule 104.7 (a) and not excluded from home leave under staff rule 104.7 (c), who are residing and serving outside their home country and who are otherwise eligible, shall be entitled once in every two years of qualifying service to visit their home country at United Nations expense for the purpose of spending in that country a reasonable period of annual leave. Leave taken for this purpose and under the terms and conditions set forth in this rule shall hereinafter be referred to as home leave. Under the terms and conditions established by the Secretary-General, eligible staff members serving at designated duty stations having very difficult conditions of life and work shall be granted home leave once in every twelve months. The number of eligible staff members of UNON, UNEP, and UN-HABITAT is approximately 700 spread over 49 duty stations. A total of 319 staff members went on home leave in 2003 at a cost of approximately US\$1.5 million.

Rental Subsidy

3. The rental subsidy scheme operates as part of the UN post adjustment system. The aim of the scheme is to facilitate the settlement of new staff members and to encourage mobility within the common system by subsidizing the rental costs of eligible staff members whose rental accommodations are of reasonable standard but cost significantly more than the average for the duty station. Conversely, to ensure a greater degree of equity, those staff members whose housing is provided free or at rents substantially lower than the average rents would be subject to a rental deduction. A total of 95 staff members of UNON, UNEP and UN-HABITAT spread over eight duty stations received rental subsidy in 2003 at a cost of approximately US\$140,000.

4. UNON Staff Administration Section (SAS) is responsible for home leave and rental subsidy. The Section is headed by a P-4 supported by 3 Professional (P) and 21 General Service (GS) staff. The Section comprises four units; three serve UNON, UNEP and UN-HABITAT, while one is responsible for maintaining personnel records and distributing information. SAS administers over 1,500 UNON, UNEP and UN-HABITAT staff of which approximately 1,000 are based in Nairobi.

5. A draft of the report was shared with the Chief, SAS in December 2004, whose comments, which were received on 17 January 2005, have been reflected in the final report.

II. AUDIT OBJECTIVES

6. The overall objective of the audit was to advise Director-General, UNON on the adequacy of arrangements for handling staff entitlements. This involved:

- a) Assessing the administration of home leave and rental subsidy;
- b) Evaluating the adequacy, effectiveness and efficiency of internal controls;
- c) Evaluating whether adequate guidance and procedures were in place;
- d) Determining the reliability and integrity of the data available from the present systems;
- e) Reviewing compliance with UN Regulations and Rules and Administrative Instructions.

III. AUDIT SCOPE AND METHODOLOGY

7. The audit followed up on the work done in 2002 (AA2002/01/1: UNON Staff Administration Section) and focussed on activities in 2003. It involved interviewing staff, reviewing available documents and using audit software to sample and analyse data.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Home Leave

(a) Guidelines on home leave

8. In its previous audit of UNON HRMS, Staff Administration Section (SAS), conducted in April 2002, OIOS had recommended that SAS should, “issue a circular to all staff regarding home leave application procedures indicating: (a) what forms are to be completed (b) how these can be obtained, (c) what additional documents should be provided with the home leave request for various types of travel (d) how long before the estimated departure date requests for home leave should be initiated; and (e) the implications of not submitting the request within the prescribed time frame (AA2002/01/01/032). OIOS was pleased to note that a detailed circular was issued on 11 February 2003, advising staff of procedures for obtaining home leave entitlement, the forms to be completed, how these can be obtained, additional documentation to be provided with the home leave request for various types of travel, how long before estimated departure date requests for home leave should be initiated and implications for not submitting the request within the prescribed time frame. This recommendation is therefore closed.

(b) Recording of place of home leave

9. In the previous audit of UNON HRMS, OIOS had recommended that SAS ensure that the place of home leave was adequately recorded in the system (AA2002/01/01/033). At the time of the audit, SAS had done nothing to implement this recommendation. The existing recommendation is left open and matter is taken up further in OIOS report dealing with organization and management arrangements for Administration of Entitlements (AA2004/211/02).

(c) Entitlement to home leave

10. SAS administers home leave to approximately 700 eligible staff members spread over 49 duty stations. The minimum service time required for home leave is 24

months for eligible staff stationed in H, A or B duty stations and 12 months for staff in C, D, or E duty stations. This system is administered through a credit point system for which eligible staff members are required to accumulate 24 credit points for home leave at the rate of either one point per month for the 24-month-cycle, or two points per month for the 12-month-cycle. OIOS noted some problems in ensuring that the correct cycle was being used and was being applied correctly, and the audit determined that the primary cause was the absence of a mechanism to assist Human Resources Officers to ensure that the correct cycle was being used and was being applied correctly. A possible way to assist Human Resources Officers would be to incorporate duty stations and their respective cycles into the e-Leave and Overtime Portal (an application used by UNEP, UN-HABITAT and UNON staff members irrespective of their duty station, which covers all steps of requesting, approving, recording and certifying of any type of leave).

Recommendation:

To assist UNON Human Resources Officers in the correct application of the home leave entitlement, Chief, Staff Administration Section, UNON should approach the UNON IMIS Support Unit and request the incorporation of duty stations and their respective home leave cycles into the e-Leave and Overtime Portal (Rec. 01).

11. *UNON commented that SAS will liaise with the IMIS Support Unit on incorporating home leave cycles in the e-Leave system.* OIOS notes the response and will close the recommendation upon receipt of the details of the system put in place to incorporate home leave cycles into the e-Leave and Overtime Portal.

(d) Documentation to support lump sum calculation

12. No documentation is currently kept to support how the lump sum amount paid to staff members was determined. OIOS is of the opinion that such documentation should be kept and filed in staff members' personal files.

Recommendation:

To ensure completeness of documentation in support of a home leave application, Chief, Staff Administration Section, UNON should request Chief, Travel Unit, UNON to provide a copy of the calculation supporting the lump sum amount paid to a staff member, which should be filed in staff members personal files (Rec. 02)

13. *UNON commented that lump sum requests for home leave are processed through a form, which goes between SAS and the Travel Unit. SAS therefore uses the figures provided by the Travel Unit to raise the travel authorisation. However SAS will request the Travel Unit to provide actual quotations and SAS staff members will be reminded of the need to keep quotations on file.* OIOS notes the response and will close the recommendation upon receipt of the note to Travel Unit requesting provision of actual quotations and receipt of a copy of the instructions to staff outlining the requirement to keep copies of quotations on personnel files.

(e) Time required to process home leave

14. SAS issued an internal circular in February 2003 to eligible staff members requiring them to submit home leave requests at least six weeks in advance of the proposed dates of travel. The Service Level Agreement signed between UNON and UNEP/UN-HABITAT in June 2004, estimates that home leave would be processed within five days after submission of application. It is not clear whether this means five working days or five calendar days and whether this number of days is in any way related with the requirement to submit home leave requests six weeks in advance.

Recommendation:

To ensure the reasonableness of performance indicators used to assess efficiency of UNON Staff Administration Section (SAS) in processing travel claims, Chief, SAS, UNON should clarify the time required to process a home leave request and issue a new circular to staff. This circular should also cover factors which staff must take into account such as how far in advance requests should be submitted and the implications of failing to adhere to these guidelines (Rec. 03).

15. *UNON commented that a revised circular regarding the home leave timelines is already under preparation and will be distributed to staff members.* OIOS thanks UNON for the prompt response and will close the recommendation upon receipt and review of a copy of the revised circular clarifying the time required to process home leave requests.

(g) Taking home leave with less than six months remaining on a contract

16. In accordance with staff rule 105.3 section (b) ii, a staff member shall be eligible for home leave provided the staff member's service is expected by the Secretary-General to continue (a) at least six months beyond the date of his or her return from any proposed home leave; and (b) in case of the first home leave, at least six months beyond the date on which the staff member will have completed two years of qualifying service. The practice at the duty station is to require the staff member to sign a letter confirming that he/she is aware that should the contract not be extended the cost of home leave will be deducted from the repatriation travel. OIOS noted that this practice, which OIOS supports, is not consistently being followed.

Recommendation:

To ensure the eligibility requirements of staff rule 105.3 (b) ii are met and avoid potential losses to the UN, Chief, Staff Administration Section, UNON should ensure that staff members with less than six months on their contracts should only proceed on home leave after having signed letters of undertaking to reimburse the cost of home leave at the end of their contracts in the event that their contracts are not renewed (Rec. 04).

17. *UNON commented that SAS staff will be reminded to ensure that staff members sign an undertaking when they wish to take home leave less than six months to the*

end of their contracts. OIOS notes the response and will close the recommendation upon receipt of a copy of the instructions to staff on handling requests for home leave where a staff member has less than six months to the end of their contract.

B. Rental subsidy

(a) Guidelines on rental subsidy

18. In the previous audit (AA2002/01/1:UNON HRMS Staff Administration Section), OIOS observed that there were no written guidelines on what documents needed to be provided with the application form and how the net rent should be calculated to account for the cost of utilities and security, if these are included in rent (AA2002/01/01/023). In the absence of such guidance, OIOS concluded that staff members could not be held accountable for any errors or omissions in completing the application. Furthermore, there was no checklist to assist Human Resources Officers in verifying against the supporting documents the accuracy of information provided by the applicant (AA2002/01/01/024). SAS issued separate guidelines in August 2003 for Nairobi based staff and staff based outside Nairobi and the two recommendations have been closed. OIOS reviewed whether further strengthening of the guidelines was required and concluded that whilst both guidelines were good they could benefit from further strengthening.

19. The guidelines for staff in Nairobi needed to be strengthened by the addition of a mechanism for handling the regular review and approval of the rental ceiling. The rental ceiling was last reviewed in 1996 when the Chief, Division of Administrative Services issued a circular setting the ceiling at Ksh 100,000 (approximately US\$1,300) with any amount above this figure to be referred to him for authorisation.

20. The guidelines for staff outside of Nairobi did not provide sufficient guidance to ensure that the local Administrative Officers and Fund Management Officers fully understood what was required and could be relied upon to carry out the task in accordance with UN rules. The guidelines did not explain:

- a) How the reasonable maximum rental ceiling should be calculated, who was responsible for its calculation and approval and it did not state who was responsible for review and approval of requests for rental subsidy above this ceiling.
- b) Who the lead agency is at each of the duty stations and whom within this lead agency the Administrative and Fund Management Officers should liaise with.
- c) What should be done in cases where charges for electricity, telephone, water, security arrangements, household employees etc are included in the rent.

Recommendations:

To assist Administration and Fund Management Officers in Offices away from Nairobi in the correct application of the rental subsidy entitlement, Chief, Staff Administration Section, UNON, should develop guidelines outlining how the monthly rental ceiling should

be calculated, who is responsible for its calculation and approval, who is responsible for review and approval of requests for rental subsidy above this ceiling, and what should be done in cases where charges for electricity, telephone, water, security arrangements, household employees etc are included in the rent (Rec. 05).

Chief, Staff Administration Section, UNON, should maintain a list of who the lead agency is at each of the duty stations and whom within this lead agency is the focal point for UNON and the Administrative and Fund Management Officers to liaise with to get advice and resolve problems (Rec. 06)

Chief, Staff Administration Section, UNON, should develop procedures for approval by Chief Division of Administration, outlining the frequency and circumstances with which the rental ceiling will be reviewed. Following approval of these procedures there should be a review of the 1996 levels and a new circular issued to staff (Rec. 07)

21. *UNON commented that the issue of maximum reasonable rent level is already under discussion in HRMS. SAS will take action to establish it for each duty station, in conjunction with other agencies and appropriate circulars will be issued to staff. OIOS notes the response and will close:*

- a) Recommendation 5 upon receipt of guidelines for Offices Away from Nairobi Headquarters outlining how the monthly rental ceiling should be calculated, who is responsible for its calculation and approval, who is responsible for review and approval of requests for rental subsidy above this ceiling, and what should be done in cases where charges for electricity, telephone, water, security arrangements, household employees etc are included in the rent.
- b) Recommendation 6 upon receipt of a list of who the lead agency is at each of the duty stations and whom within this lead agency is the focal point.
- c) Recommendation 7 upon receipt of procedures outlining the frequency and circumstances with which the rental ceiling will be reviewed.

(c) Reapplication of rental subsidy

22. ST/AI/2000/16 Section 4.2 states that staff members shall reapply annually for a rental subsidy, indicating all changes that may affect their individual situation and the amount of the rental subsidy to which they are entitled. OIOS noted that staff were still not being sent any reminders that rental subsidy would be withdrawn unless the staff members confirmed no change in his circumstances. OIOS had first pointed this out in 1999 in its payroll audit and had recommended that consideration should be given to include information on the need to re-apply for rental subsidy as part of the monthly pay advice (AA1999/53/3/030). *A rental subsidy reminder through Payroll was put in place in June 2004 and the recommendation has been closed.*

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

23. OIOS monitors the implementation of its audit recommendations for reporting to the Secretary-General and to the General Assembly. The responses received on the

audit recommendations contained in this report have been recorded in our recommendations database. In order to record full implementation, the actions described in the following table are required:

Recommendation No.	Action Required
Rec. 01	Receipt of the details of the system put in place to incorporate home leave cycles into the e-Leave and Overtime Portal.
Rec. 02	Receipt of the note to Travel Unit requesting provision of actual quotations and receipt of a copy of the instructions to staff outlining the requirement to keep copies of quotations on personnel files.
Rec. 03	Receipt and review of a copy of the revised circular clarifying the time required to process home leave requests.
Rec. 04	Receipt of a copy of the instructions to staff on handling requests for home leave where a staff member has less than six months to the end of their contract.
Rec. 05	Receipt of guidelines for Offices Away from Nairobi Headquarters outlining how the monthly rental ceiling should be calculated.
Rec. 06	Receipt of a list of who the lead agency is at each of the duty stations and who within this lead agency is the focal point.
Rec. 07	Receipt and review of procedures outlining the frequency and circumstances with which the rental ceiling will be reviewed.

VI. ACKNOWLEDGEMENT

24. I wish to express my appreciation for the assistance and cooperation extended to the audit team by staff and management of SAS.

Egbert C. Kaltenbach, Director
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 Office of Internal Oversight Services