



AUD II-7-4:1(AE48/05)

09 March 2005

TO: Mr. Carlos Fortin
Officer-in-Charge
United Nations Conference on Trade and Development

FROM: Egbert C. Kaltenbach, Director
Internal Audit Division II
Office of Internal Oversight Services

SUBJECT: **OIOS Audit of UNCTAD Administration of Entitlements**
(AE2004/345/01)

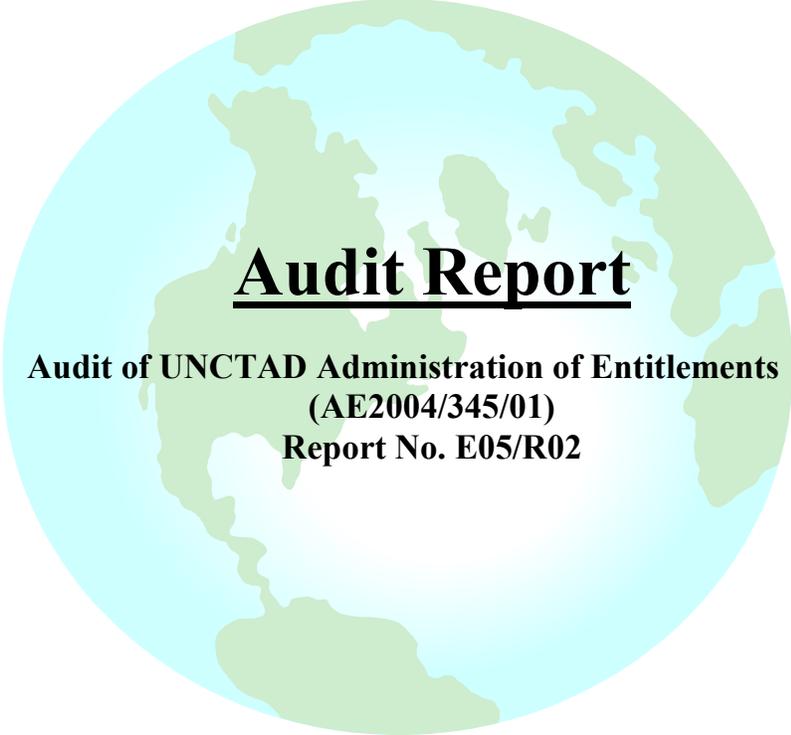
1. I am pleased to submit the final report on the audit of UNCTAD Administration of Entitlements, which was conducted in October and November 2004 in Geneva by Anita Hirsch, Girma Gina and Sophie Deflorin.
2. A draft of the report was shared with the Director, Division of Management, on 13 January 2005, whose comments, which were received on 11 February 2005, are reflected in the final report.
3. I am pleased to note that all of the audit recommendations contained in this final report have been accepted and that the Resources Management Service has initiated their implementation. The table in paragraph 25 of the report identifies those recommendations, which require further action to be closed. I wish to draw your attention to recommendations 2 and 3, which OIOS considers to be of critical importance.
4. I would appreciate if you could provide me with 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.
5. 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.
6. Thank you for your cooperation.

Attachment: Client Satisfaction Survey Form

cc: Ms. C. Bertini, Under-Secretary-General for Management (by e-mail)
Mr. B. Juppín de Fondaumière, Director of Administration, UNOG (by e-mail)
Mr. S. Goolsarran, Executive Secretary, UN Board of Auditors
Mr. T. Rajaobelina, Deputy Director of External Audit (by e-mail)
Mr. M. Tapio, Programme Officer, OUSG, OIOS (by e-mail)
Mr. Victor Busuttíl, Audit Focal Point, UNCTAD (by e-mail)
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**United Nations
Office of Internal Oversight Services
Internal Audit Division II**

A stylized globe with a light blue background and green landmasses, centered behind the main title.

Audit Report

**Audit of UNCTAD Administration of Entitlements
(AE2004/345/01)
Report No. E05/R02**

□ **Report date:** 09 March 2005

□ **Auditors:** Anita Hirsch
Girma Gina
Sophie Deflorin

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Internal Audit Division II

OIOS AUDIT OF UNCTAD ADMINISTRATION OF ENTITLEMENTS
(AE2004/345/01)

EXECUTIVE SUMMARY

In October and November 2004, OIOS conducted an audit of UNCTAD administration of entitlements. UNCTAD has full delegation of authority for the recruitment and administration of 200 Series Project Staff since 1980. Within the Human Resources Management Service of UNCTAD, the Project Staff and Consultancy Unit was in charge of administering 126 staff in 2003. Focusing on dependency allowance, mobility/hardship/non removal element allowance, home leave and family visit entitlements, assignment and repatriation grants and rental subsidy, the audit covered activities with a total expenditure of US\$ 5.25 million in 2003. This audit focused on compliance with applicable rules and instructions as well as efficiency of the organizational set-up and procedures. *UNCTAD has accepted all recommendations made and is in the process of implementing them.*

Overall, UNCTAD adequately administered 200 Series personnel entitlements and OIOS noted only few minor shortcomings. UNCTAD agreed with the observations and already initiated action for most of them.

- UNCTAD paid some \$23,000 repatriation grant to a former staff member before obtaining sufficient documentary evidence of relocation. A review of the staff member's personnel file disclosed other issues, such as deficiencies in the recruitment, inaccurate post classification, non-compliance with staff rules on attendance and non-recovery of a portable printer upon separation. In recruiting and administering staff members, UNCTAD should apply objective criteria and decisions regardless of the source of contributions funding the post. *UNCTAD agreed with the thrust of our observation, but stated that the payment was based on a number of developments and circumstances evidencing relocation. UNCTAD subsequently presented a confirmation dated February 2005 from UNIDO that the former staff member now works at its Rome office.*
- 200 Series posts are funded with voluntary contributions and related contracts are issued based on available funding. This leads to frequent renewal of short-term contracts and update of the staff members' entitlements, thus, drastically increasing the Project Staff Unit's workload. Such short-term contracts are not in the interest of efficient personnel administration and human resources management and hamper satisfactory programming and implementation of projects. UNCTAD should consider issuing longer-term contracts, taking into account the expected

duration of projects, and make a provision for the payment of termination indemnity, in case the lack of funds requires a termination prior to the expiration of a fixed-term or short-term appointment. *UNCTAD indicated that it would consider the feasibility of one-year letters of appointment.*

- Since May 2002, UNCTAD has not established procedures for the classification of 200 Series posts. UNCTAD should reinstate procedures to set objective criteria for the classification of posts and for the promotion of 200 Series staff. Furthermore, staff members of the Project Personnel and Consultancy Unit, due to insufficient training and experience, lacked the skills to provide advice and guidance on recruitment as provided for in their job description and the note on the UNCTAD Intranet site entitled “Who does what in HRMS”. UNCTAD should also place more emphasis on the advice and guidance part of the Unit. *UNCTAD commented that UNCTAD had procedures for recruitment and classification of project personnel, the thrust of which was analogous to regular staff. It would however ensure that staff members from the Project Personnel and Consultancy Unit undergo classification training to supplement the existing classification focal point, advising mainly but not exclusively for the 100 Series staff members.*

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I. INTRODUCTION

1. In October and November 2004, OIOS conducted an audit of UNCTAD Administration of Entitlements. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. The United Nations Conference on Trade and Development was established in 1964 to “maximize the trade and development opportunities of developing countries and to assist them in their integration in the world economy [...]”. In 2002-2003, its total expenditure amounted to \$93 million and \$44 million in regular and extrabudgetary funds respectively. For the biennium 2004-2005, its planned expenditure was \$92 million under the regular budget and \$41 million under the extrabudgetary resources.
3. In 2003, UNCTAD had 126 project staff, with staff expenditure amounting to \$10.5 million, half of which was for base salary and the rest for related entitlements. As of 30 September 2004, there were 103 project personnel with related expenditure of approximately \$9.5 million.
4. The findings and recommendations contained in this report have been discussed during the Exit Conference held on 8 December 2004 with the Chief, Administrative Service, the Chief, Project Personnel and Consultancy Unit and other officers. A draft of this report was shared with the Director, Division of Management, on 13 January 2005, whose comments have been reflected in the report in italics. UNCTAD, Division of Management has accepted all of the recommendations made and is in the process of implementing them.

II. AUDIT OBJECTIVES

5. The main objectives of the audit were to assess the compliance with UN Regulations and Rules, as well as the efficiency of actual procedures and organizational set-up for administering the entitlements.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on all entitlements eligible for 200 Series staff, i.e. dependency allowance, mobility/hardship/non removal element allowance, home leave and family visit entitlements, assignment and repatriation grants and rental subsidy. Entitlements paid in September 2004 were taken as reference for the population to review. The ensuing file review covered the complete employment period of concerned staff with UNCTAD. The processing and calculation of Education Grants was not covered by this audit as a previous assignment on UNOG Education Grants had already included UNCTAD in the scope of the review.
7. The audit activities included a review of personnel files and personnel data in IMIS, a comparative financial analysis and a review of internal control and procedures.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Dependency Benefits

8. Out of the 13 files reviewed for dependency benefits (out of 38 staff members in receipt of the allowance in September 2004), three were missing supporting evidence for

eligibility (proof of full time education for child or spouse statement of earning). Evidence was subsequently submitted to the Project Personnel and Consultancy Unit.

9. One staff member (Index No. 395832) was in receipt of dependency allowance although his spouse's earnings were above the eligibility ceiling. Following a ruling by OHRM, that the spouse's language allowance, which was mentioned in the attestation provided by the spouse's UN employer, has to be taken into account in determining dependency benefit, it was determined that the staff member was overpaid for ten months at a total amount of some \$2,500. UNCTAD reported the case to UNOG as the staff member had moved to a 100 Series contract, administered by UNOG.

Recommendation:

- UNCTAD Administrative Service should follow-up with UNOG HRMS to ensure recovery of dependency allowance of approximately \$2,500, as of 31 October 2004, overpaid to a staff member (Index No. 395832) (Rec. 01).

10. *UNCTAD accepted the recommendation.* OIOS will record this recommendation as implemented upon receipt of proof of recovery of the overpayment from the staff member.

B. Mobility allowance

11. Five years of consecutive service are required to qualify for mobility allowance. In reviewing the IMIS staff members' profiles, OIOS observed that this requirement did not seem to have been complied with in one instance (Index No. 433209). UNCTAD explained that the Entry on Duty (EOD) date in the mobility screen in IMIS could be different from that in the Personnel Action form. In this case, the previous service under a separate contract was not picked up in the Mobility Screen of IMIS. The data was therefore misleading. OIOS will take up separately with UNOG IMIS Support the display of the correct EOD dates in the Mobility Screen of IMIS.

C. Repatriation grant

12. According to Staff Rule 209.6 (e), payment of repatriation grant after separation shall require prior submission of documentary evidence that the former project personnel have relocated away from the country of the last duty station. Reviewing repatriation grants paid in 2004, OIOS came across one case, where UNCTAD paid a repatriation grant of \$23,086 to a staff member separated on 31 December 2002 (Index No. 570585) without prior evidence of relocation. Subsequent attempts to obtain from the former staff member the required documentary evidence failed, despite several reminders. Our review of the staff member's personnel file further disclosed additional issues:

- The staff member was recruited at a "generous" L-5-IV level although she had a high school diploma only and had insufficient knowledge of any UN official language.
- The address in Geneva was not certain, as the staff member never updated her initial temporary address, which was her national permanent mission in Geneva.
- Nine unauthorized absences over four years at UNCTAD led UNCTAD to grant *ex post facto* Special Leave Without Pay on these occasions.
- It is stated in a confidential note in the file that UNCTAD was unable to recover a

portable printer assigned to the staff member.

13. UNCTAD explained that the case was a political one and that the staff member's post was funded by the staff member's country of nationality. The issue of recruitment was also recently raised by the Board of Auditors in its Management Letter dated 11 March 2004, as the "recruitment of experts" process was qualified as not transparent and consistent. And as this case further illustrates, Article 101 of the UN Charter setting "the necessity of securing the highest standards of efficiency, competence and integrity," was not always adhered to.

14. *UNCTAD further stated that the repatriation grant was released to offset special leaves without pay and was based on a number of developments and circumstances, which constituted sound evidence of relocation to Rome. UNCTAD subsequently obtained a confirmation dated 7 February 2005 from UNIDO that the staff member now works in its Rome office.* OIOS considers that UNCTAD, in the future, should not bend to political pressure on recruitment as in this case, where not only was the contribution of the country of nationality of the staff member, hence UN resources, was at stake, but also the credibility of UNCTAD.

D. Classification and promotion

15. From the review of personnel files, OIOS enquired on the classification and promotion of project staff. UNCTAD explained that since the implementation of the new Staff Selection System in May 2002, new procedures were implemented for 100 Series staff only. No set procedure was provided for 200 Series personnel, although a draft procedure was provided to Senior Management. Furthermore, staff members in the Project Personnel and Consultancy Unit are not involved in classification, contrary to the provisions of both their job descriptions and the presentation on their functions in the UNCTAD Intranet site.

16. OIOS believes that procedures that set objective criteria and standards for promotion and classification should be reinstated. The Project Personnel Unit should also be fully involved in the process. As they are in charge and have a broad understanding of "Human Resources Management," they could give useful advice and guidance to substantive units.

Recommendation:

- UNCTAD Administrative Service should, in consultation with UNOG's Human Resources Management Service, establish and implement a clear and transparent process for the post classification, appointment and promotion of 200 Series staff (Rec. 02).

17. *UNCTAD commented that procedures for the selection and reclassification of L-staff were abolished, following the introduction in May 2002 of the new staff selection system (set out in ST/AI/2002/4) departmental panels. UNCTAD thus established procedures for recruitment and reclassification of project personnel, the thrust of which was analogous to that applicable to regular staff. More generally, as regards L-staff, OHRM has been carrying out a UN-wide review in which UNCTAD has been closely and directly involved, a principal aim being to harmonize conditions of service; the review is not yet complete. As regards classification, UNCTAD stated that a classification focal point is responsible for advising substantive divisions on job descriptions for the 100 series of the Staff Rules but also advising the Project Personnel and Consultancy Unit on the classification of L-staff job descriptions.*

18. *UNCTAD would however ensure that one or two members of the Project Personnel and Consultancy Unit undergo classification training either with UNOG or New York.* OIOS will consider Recommendation 02 as closed upon receipt of procedures in place for the post classification, appointment and promotion of L-staff, possibly amended following the UN-wide review.

E. Contract duration

19. In its March 2004 Management Letter, the Board of Auditors recommended that UNCTAD “consider documenting a multi-year funding strategy, in co-operation with donors”. The lack of predictable funding sources raised by the BoA also has an impact on project personnel administration. Contracts issued have to comply with the ceiling of available resources for a given project, leading to numerous short-term contracts, down to one month, and frequently renewed.

20. In frequently renewing short-term contracts, the Project Personnel Unit is faced with additional workload, not only due to the renewal of contracts, but also because some entitlements depend on the duration of the employment. This constant need for personnel administration prevents the Unit’s staff from performing other essential functions as performance monitoring, career development and advising on all pertinent matters. It is also doubtful that, staff members holding short-term contracts, can actually plan ahead and undertake project activities within the project timeframe, hence jeopardizing the delivery of planned outputs.

21. In the view of OIOS, the duration of project staff’s fixed-term or short-term appointments should take into account the expected duration of the projects concerned and reasonable funding expectations, even if funds have not yet been received. For cases, where project activities have to be discontinued due to lack of expected funds, UNCTAD could terminate appointments in accordance with Staff Regulation 9.1 (b). The extension of appointments over and above the level of firmly secured funding does therefore require a financial provision for the payment of termination indemnity according to Staff Rule 209.5.

Recommendation:

- UNCTAD Administrative Service should review its contract policy for 200 Series staff and consider issuing contracts of a reasonable duration, while making a provision for the payment of termination indemnity in case expected project funding is not forthcoming (Rec. 03).

22. *UNCTAD confirmed sharing the OIOS concerns on the duration of contracts and indicated that their examination of statistics for separations of L-staff since IMIS was implemented, concluded that the risk of separating an expert for lack of funds was minor. UNCTAD is considering the feasibility of issuing one-year letters of appointment.* OIOS will close this recommendation upon receipt of a policy decision on the duration of appointments for project staff.

F. Filing

23. OIOS noted, in its review of personnel files the poor conditions in which staff members’ confidential data were kept. In several instances, relevant documentation could not

be found as it was filed inconsistently or elsewhere. UNCTAD mentioned budget constraints for both the archiving and the physical files themselves.

Recommendation:

- UNCTAD Administrative Service should establish standard filing procedures for its personnel file and improve the conditions for their safekeeping (Rec. 04).

24. *UNCTAD accepted the recommendation.* OIOS will close this recommendation upon receipt of information on the actions taken to improve the filing situation (office space changes, purchase of furniture and equipment and/or additional assistance).

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

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

Rec. no.	Action/document required to close the recommendation
1	Proof of recovery of overpaid dependency allowance.
2*	A copy of procedures, whether amended or not, for the post classification, appointment and promotion of L-staff.
3*	A copy of a policy decision on duration of appointment for project staff.
4	Information on actions taken to improve filing conditions.

* Critical recommendations

VI. ACKNOWLEDGEMENT

26. I wish to express my appreciation for the assistance and cooperation extended to the auditors by the staff of UNCTAD.

Egbert C. Kaltenbach, Director
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Office of Internal Oversight Services