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

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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 – mobility,
hardship and non-removal (AA 2004/211/05)**

1. I am pleased to submit the final report on the Audit of UNON Administration of Entitlements – mobility, hardship and non-removal, which was conducted between August and September 2004 in Nairobi, Kenya by Nicholas Makaa. 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 19 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: Client Satisfaction Survey Form

cc: Mr. A. Barabanov, Chief, DAS, UNON (by e-mail)
Mr. S. Elmi, Chief, HRMS, UNON (by e-mail)
Ms A. J. Wilson, Chief, Staff Administration Section, UNON (by e-mail)
Ms. A. Paauwe, OIOS audit focal point, UNON (by e-mail)
Mr. S. Goolsarran, Executive Secretary, UN Board of Auditors (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 – mobility, hardship and
non-removal (AA 2004/211/05)**

Report date: 08 February 2005

Auditor: Nicholas Makaa



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

**Audit of UNON Administration of Entitlements – mobility, hardship and
non-removal allowance (AA 2004/211/05)**

EXECUTIVE SUMMARY

In August and September 2004, OIOS conducted an audit of UNON Administration of Entitlements – mobility, hardship and non-removal allowance. The audit covered approximately US\$11 million paid as mobility, hardship and non-removal allowance to approximately 900 staff members of UNON, UNEP and UN-Habitat in 2002-2003.

OIOS followed up on recommendations raised in its previous Payroll audit (AA1999/53/3 dated 10 April 2000), which also covered elements of mobility, hardship and non-removal allowance.

The overall conclusion was that UNON Staff Administration Section (SAS), which is responsible for administering the entitlement, had made progress since the last audit in putting in place controls to safeguard the UN against losses and to ensure that staff receive correct entitlements.

OIOS found satisfactory controls in place for handling Professional staff but found a number of problems in respect of handling General Service staff:

- UNON needs to establish a system check to ensure that GS staff, who are not internationally recruited, are not paid hardship allowance.
- UNON needs to develop procedures to assist HR staff in checking and confirming accuracy of the duty station classification.
- UNON needs to remind staff of the pending discontinuation of the mobility and non-removal allowance after the initial five-year period so that eligible staff can apply for an extension of the allowance up to a maximum of one or two years respectively upon certification.

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.

February 2005

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IOOS Audit of UNON Administration of Entitlements – mobility, hardship and non-removal allowance (AA 2004/211/05)

I. INTRODUCTION

1. This report discusses the results of an IOOS audit of UNON Administration of Entitlements – mobility, hardship and non-removal allowance. The audit was carried out in August and September 2004 in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. Staff Rules 103.22 and 203.11 as well as ST/AI/2000/2 (mobility, hardship and non-removal) govern administration of the mobility, hardship and non-removal allowance. It is a non pensionable allowance, which has three distinct elements:

- a) The mobility element, which varies according to the number of assignments and provides an incentive for greater mobility of staff;
- b) The hardship element, which reflects the varying degree of hardship at different duty stations; and
- c) The non-removal element, which compensates for non-removal of personal effects and household goods.

3. Staff in the Professional category and above, Field Service staff and internationally recruited General Service staff appointed under the 100 series and 200 series of staff rules shall be eligible for payment of the allowance, provided they meet the requirements set out in ST/AI/2000/2 section 1.5 and the conditions governing payment of the allowance set out in sections 2, 3, and 4.

4. The amount of the allowance payable to each eligible staff member shall be a function of his placement on a three dimension matrix where the hardship element increases in order of difficulty, the mobility element varies according to number of assignments and the length of service at one duty station and the non-removal element, varies according to whether the staff member is entitled to and opts for full removal of household goods.

5. UNON Staff Administration Section (SAS) is responsible for mobility, hardship and non-removal. SAS is headed by a P-4, supported by 3 Professional (P) and 21 General Service (GS) staff who are divided into four units; three of which handle mobility, hardship and non-removal for UNON, UNEP and UN-HABITAT staff. During 2002-2003, approximately US\$700,000 was paid as mobility, US\$8 million as hardship and US\$2 million as non-removal to approximately 900 staff members.

6. 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.

II. AUDIT OBJECTIVES

7. The overall objective of the audit was to advise Director-General, UNON on the adequacy of arrangements for handling mobility, hardship and non-removal allowance. This involved:

- a) Assessing the administration of mobility, hardship and non-removal;
- 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

8. The audit covered activities for the biennium 2002-2003 and involved interviewing staff, reviewing available documents and assessing control procedures where documentation was available.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Hardship element

(a) Accuracy of hardship calculation

9. US\$8 million was paid to 472 professional staff and 27 GS staff for 2002-2003. OIOS sampled 83 professional staff and 17 GS staff and reviewed accuracy of computations of hardship element. No problems were noted.

(b) Hardship payments to Professional Staff

10. The audit team sampled 18 percent of professional staff members in receipt of hardship allowance and noted no problem with eligibility.

(c) Hardship payments to General Service (GS) Staff

11. 15 GS staff on mission were in receipt of hardship allowance, three of whom, with index numbers 233737, 363775, and 303509 were erroneously paid approximately US\$6,000 between January 2002 and December 2003 without being entitled to hardship. On returning to Nairobi, the hardship allowances were discontinued but the audit team could find no documentation indicating that any effort had been made to recover the overpayments made. SAS were unable to explain why no action had been taken. ST/AI/2000/11 (recovery of overpayments made to staff members) Section 3.1, states that recovery of overpayments shall be limited to the amounts paid during the two-year period prior to notification to the staff member. OIOS is of the opinion that UNON cannot recover approximately US\$5,000, of the overpayments, which were paid prior to November 2002 due to failure on the part of SAS to act. OIOS noted similar

failures in other areas of its audit of entitlements and the point is discussed further in its audit report on Organisation and Management of entitlements (AA 2004/211/02).

Recommendation:

To safeguard against erroneous payments to locally recruited General Service staff, the Chief, Staff Administration Section, UNON, should discuss with the IMIS Coordinator, the possibility of building a check into IMIS to ensure that General Service staff who are not internationally recruited do not receive hardship allowance while on mission detail. Discussion should also be held with Payroll Unit on the possibility of checking entitlements generated by IMIS (Rec. 01).

12. *UNON commented that SAS will liaise with ITS and BFMS to develop a system to ensure that General Service staff members on mission are not automatically paid hardship allowance.* OIOS notes the response and will close the recommendation upon receipt of details of the system put in place to ensure that General Service staff who are not internationally recruited do not receive hardship allowance while on mission detail.

(c) Incorrect categorization of duty stations

13. Hardship allowance is paid at category B to E duty stations. SAS entered wrong data into IMIS and in the absence of any validation checks, within or external to IMIS, overpayments were made to three out of a hundred cases sampled. Whilst the number of cases is quite small, as pointed out in the next section, SAS relies on the accuracy of this information for the mobility count. It is important for systems that affect payroll that there are controls in place to ensure that errors are as close to zero as possible.

14. The audit team sampled 100 out of 661 staff and noted no problems with classification of duty station for professional staff. However, the wrong duty station classification was shown for four GS staff members with index numbers 303509, 233737, 668612 and 363775, resulting in overpayment of approximately US\$9,000. SAS stated that this was the result of known IMIS problem, which allowed the entry of invalid data in the count field. OIOS is very concerned that though SAS knew about the problem they did not build in any additional checks to safeguard against incorrect payments, knowing that errors could be costly, and the UN may not be able to recover payments where staff concerned left the UN. Under ST/AI/2000/11 Section 3.1, recovery of the overpayment shall be limited to the amounts paid during the two-year period. Thus OIOS is of the opinion that only US\$700, paid after November 2002, is recoverable.

Recommendations:

To ensure accuracy and completeness of the duty station classifications, the Chief, Staff Administration Section, UNON should develop procedures to assist staff in checking and confirming the accuracy of the duty station classifications (Rec. 02)

To ensure the IMIS system generates correct duty station classifications, the Chief, Staff Administration Section, UNON should request IMIS Co-ordinator to raise an IMIS system enhancement

request to automatically generate duty station counts for staff members (Rec. 03).

The Chief, Staff Administration Section, UNON should recover a total of approximately US\$1,400 of hardship allowance overpaid to the General Service staff member with index number 303509 (Rec. 04).

15. *UNON commented in respect of recommendations 2, 3 and 4 that SAS will, in coordination with the HRMS Systems Support Unit and the IMIS Coordinator, ITS, verify data on mobility count and work to ensure that the correct data is entered for all staff members. Action will be taken for index No. 303509 to recover approximately \$1400 of overpayment.* OIOS notes the response and will close:

- a) Recommendation 2 upon receipt and review of the procedures to assist staff in checking and confirming the accuracy of the duty station classifications;
- b) Recommendation 3 upon notification of the outcome of the request to the IMIS Co-ordinator to raise an IMIS system enhancement request to automatically generate duty station counts for staff members; and,
- c) Recommendation 4 upon notification of the completion of recovery of approximately US\$1,400 of hardship allowance paid to the General Service staff member with index number 303509.

B. Mobility element

16. US\$700,000 was paid to 49 professional and one GS staff in 2002-2003. OIOS found that current arrangements for handling mobility were adequate with the exception of the mobility count. At the time of the audit, SAS relied on the IMIS system to count assignments for purposes of establishing the matrix classification. IMIS relies on the accuracy of the duty station information to perform this task, and as discussed above, there are currently no controls in place to ensure the accuracy and completeness of this information. Recommendation number three when implemented will ensure accuracy of the duty station information.

C. Non-removal element

17. US\$2 million was paid to 409 professional staff and 4 GS staff in 2002-2003. OIOS sampled 115 out of the 413 receiving non-removal allowance and was satisfied that the allowance has been handled in accordance with the rules. However the following exceptions were noted:

- a) Payment of non-removal element is limited to a period of five years at one duty station. Exceptionally the period of payment maybe extended for a further period of up to two years upon certification. OIOS noted that Human Resources Officers at times sent reminders to staff informing them of the pending discontinuation of non-removal element of the mobility and hardship allowance. However, the notices are not routinely sent to all staff concerned. OIOS observed that in most cases the allowance was automatically discontinued without any notification.
- b) In several instances the reduction date was either incorrect or was missing altogether in IMIS. While no overpayments were noted, there is a risk that a staff

member continues receiving the allowance if the reduction date is not indicated, as the system does not automatically discontinue the payment. This matter has been taken up further in OIOS report dealing with organisation and management arrangements for Administration of Entitlements (AA2004/211/02).

Recommendation:

To ensure consistency in the administration of non-removal allowance, the Chief, Staff Administration Section, UNON should advise Human Resources Officers through a circular to inform all staff members of the pending discontinuation of non-removal allowance so that those who are eligible for extension can apply for certification (Rec. 05).

18. *UNON commented that SAS will liaise with ITS on developing a system for an automatic alert to staff members of the reduction date for both mobility and non-removal elements.* OIOS notes the response and will close the recommendation upon receipt and review of details of the system for informing staff members of the pending discontinuation of non-removal allowance.

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

19. 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 details of the system put in place to ensure that General Service staff who are not internationally recruited do not receive hardship allowance while on mission detail.
Rec. 02	Receipt and review of the procedures to assist staff in checking and confirming the accuracy of the duty station classifications
Rec. 03	Notification of the outcome of the request to the IMIS Co-ordinator to raise an IMIS system enhancement request to automatically generate duty station counts for staff members.
Rec. 04	Notification of the completion of recovery of approximately US\$1,400 of hardship allowance paid to the General Service staff member with index number 303509.
Rec. 05	Receipt and review of details of the system for informing staff members of the pending discontinuation of non-removal allowance.

VI. ACKNOWLEDGEMENT

20. I wish to express my appreciation for the assistance and cooperation extended to the audit team by staff of SAS and IMIS System Support Unit of UNON.

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Office of Internal Oversight Services