



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

Reference: AUD: UNON (028/05)

23 March 2005

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

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

SUBJECT: **OIOS Audit of UNON Administration of Entitlements- Organisation and Management (AA 2004/211/02)**

1. I am pleased to submit the final report on the Audit of Administration of Entitlements-organisation and management, which was conducted in Nairobi, Kenya between June and November 2004, by Messrs Obin Silungwe and Tetsuya Hirano. A draft of the report was shared with the Chief, Staff Administration Section in January 2005, whose comments received on 8 March 2005 have been reflected in the final report in italics.

2. I am pleased to note that most of the audit recommendations contained in this final report have been accepted and that UNON has initiated their implementation. The table in paragraph 29 of the report identifies those recommendations, which require further action to be closed. Please note that we consider recommendations 1 and 2 as being of critical importance.

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.

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

Attachments: client satisfaction survey and final audit report

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 - Organisation and
Management
(AA2004/211/02)**

Report Date: 23 March 2005

**Auditors: Obin Silungwe
 Tetsuya Hirano**



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

OIOS Audit of UNON Administration of Entitlements - organisation and management

(AA 2004/211/02)

EXECUTIVE SUMMARY

Between June and November 2004, OIOS conducted an audit of UNON Administration of Entitlements – organisation and management. The audit followed up on previous audits conducted in 2000 (AA2000/16/3 - UNON Human Resources Management Service) and 2002 (AA2002/01/1 - UNON Staff Administration Section) and also drew upon the findings of the following audits: UNON Administration of Entitlements (AA2004/211/03: education grant and dependency allowance; AA2004/211/04: home leave and rental subsidy; and AA2004/211/05: mobility, hardship and non-removal).

OIOS was pleased to note that approximately 80 percent of the recommendations raised in prior reports had been successfully implemented. However, almost all recommendations in progress were critical. OIOS is concerned at the slow progress being made in implementing critical recommendations and would like to bring to management attention the need to:

- encourage staff to be diligent in monitoring and reporting instances of possible overpayment in a timely manner as it was observed that recovery of overpayments totalling approximately US\$13,000 was time barred because the two-year period established by ST/AI/2000/11, Section 3.1 (recovery of overpayments made to staff members) had lapsed;
- have formal documentation detailing the authority UNON has been delegated in human resources matters by UN-HABITAT and UNEP Executive Directors. This should be accompanied with document detailing the human resource authorities delegated to the various types of UNEP and UN-HABITAT offices being administered;
- establish a Unit within HRMS to ensure consistent interpretation and equitable application of staff regulations and rules;
- foster a more strategic approach by collating basic management information required for planning and monitoring activities. This should include incorporating and monitoring target dates for submission of claims, monitoring time for processing entitlements and collection of basic information such as number of staff entitled to a particular benefit in order to monitor the work load and assess performance; and,
- improve the accuracy and completeness of IMIS data and strive for zero error rates.

OIOS wishes to thank UNON for the positive and constructive response, which addresses many concerns raised in this and prior reports.

March 2005

TABLE OF CONTENTS

CHAPTER	Paragraphs
I. INTRODUCTION	1-3
II. AUDIT OBJECTIVES	4
III. AUDIT SCOPE AND METHODOLOGY	5-6
IV. AUDIT FINDINGS AND RECOMMENDATIONS	7-28
A. Progress in implementing recommendations	8
B. Failure to recover overpayments	9
C. Delegation of authority	10-11
D. Organisation structure	
(a) Structure	12-15
(b) Offices away from Nairobi Headquarters	16-18
E. Planning and monitoring	19-23
F. IMIS data integrity	24-28
V FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS	29
VI. ACKNOWLEDGEMENT	30

I. INTRODUCTION

1. This report discusses the results of an OIOS audit of UNON Administration of Entitlements- organisation and management. The audit was conducted between June and November 2003 in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UNON Staff Administration Section (SAS) is responsible for processing all staff entitlements. The Section is headed by a P-4 supported by three Professional and 21 General Service (GS) staff. The Section comprises four Units; three serve UNON, UNEP and UN-HABITAT, and one is responsible for maintaining personnel records and distributing information. The Chief of SAS reports through Chief, HRMS to Chief, Division of Administrative Services, UNON.

3. A draft of the report was shared with the Chief, Staff Administration Section in January 2005, whose comments, which were received on 8 March 2005, have been reflected in the final report in italics. *UNON commented that such organization and management issues should be addressed at the HRMS-level, since many of the issues involve other Units of HRMS, not just SAS.* OIOS appreciates that HRMS is looking at the report from a HRMS, rather than a strictly SAS perspective. At the time of the audit there was no full time head of HRMS and the issues raised almost exclusively came from work done on SAS. OIOS therefore felt it more appropriate to address the draft to the head of SAS, as agreed at the planning stage.

II. AUDIT OBJECTIVES

4. 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 staff entitlements;
- 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; and
- e) Reviewing compliance with UN regulations, rules, and administrative instructions.

III. AUDIT SCOPE AND METHODOLOGY

5. The audit followed up work done in the prior audits (AA2000/16/3: UNON Human Resources Management Service (HRMS) and AA2002/01/1: UNON Staff Administration Section) and drew upon the findings of the following audits: UNON Administration of Entitlements: AA2004/211/03: education grant and dependency allowance; AA2004/211/04: home leave and rental subsidy; and AA2004/211/05: mobility, hardship and non-removal.

6. The audit focussed on activities in 2003 up until the end of fieldwork in November 2004 and involved interviewing staff, reviewing available documents and using audit software to sample and analyse data.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Progress in implementing recommendations

7. At the conclusion of this review, OIOS was pleased to note that approximately 80 percent of the recommendations raised in prior reports had been successfully implemented. However, almost all of those recommendations, which were still in progress were the critical recommendations raised. Whilst these have been discussed in detail in the various reports issued as part of this review, and as such no additional recommendation is raised here, OIOS wishes to draw management's attention to the slow progress being made in implementing critical recommendations.

8. *UNON commented that recommendations that were identified as critical were being presently dealt with and an interim reply on the status together with realistic timelines for implementation would be forwarded by 15 March 2005. OIOS appreciates the prompt action taken and notes the response.*

B. Failure to recover overpayments

9. As part of the AA2004/211/05 audit: mobility, hardship and non-removal, OIOS observed that SAS UNON had made no effort to recover overpayments made to staff. Consequently, recovery of overpayments totalling approximately US\$13,000 was time barred because the two-year period established by ST/AI/2000/11, Section 3.1 (recovery of overpayments made to staff members) had lapsed. OIOS did not uncover any additional examples in other areas of SAS work and this appears to be an isolated instance. As such OIOS is not raising any recommendation but wishes to draw management's attention to the need to ensure that staff are diligent in monitoring and reporting instances of possible overpayment. *UNON noted the OIOS comment.*

C. Delegation of authority

10. OIOS recommended that, "HRMS should consolidate into one document its current delegated authority for UNON, UN-HABITAT and UNEP and send this document to OHRM for approval" (UNON Human Resources Management Service - AA2000/16/3/021). This recommendation has not been fully implemented and since raising the recommendation, a number of changes have occurred including UN-HABITAT becoming a full Programme. OIOS maintains that it is essential for UNON to maintain formal documentation detailing the authority it has been delegated. The original recommendation is closed and replaced with the one below.

Recommendation:

To avoid ambiguities and thereby improve delivery of UNON Human Resources services to UN-HABITAT, and UNEP, Chief, Human Resources Management Service, UNON should prepare, in consultation with UN-HABITAT and UNEP, a document stating the nature of authority delegated to UNON in Human Resources Management matters by UN-HABITAT and UNEP Executive Directors (Rec. 01).

11. UNON *commented that the issue of delegation of authority in HR matters is currently under review and will be addressed by HRMS together with UNEP and UN-HABITAT based on the parameters outlined in the 2001 OIOS report, as contained in General Assembly document A/56/620. UNON will revert to OIOS once the necessary consultations have taken place with senior officials of the client organizations.* OIOS supports the proposed action and will close the recommendation upon receipt of the document stating the nature of authority delegated to UNON in Human Resources Management matters by UN-HABITAT and UNEP Executive Directors.

D. Organisation structure

(a) Structure

12. OIOS was concerned whether SAS had the appropriate structure and level of staffing to carry out its responsibilities and had raised two recommendations in prior audits to encourage UNON to review the structure of SAS. Recommendation AA2002/01/01/002 requested UNON HRMS to undertake a review to determine whether SAS's team-based approach should be expanded to include recruitment. Recommendation AA2002/01/01/003 requested UNON HRMS to establish a sub-unit within SAS to communicate SAS' policies to staff and provide guidance to clients in order to ensure a consistent interpretation and equitable application of staff regulations and rules.

13. OIOS discussed and understands that a decision has been taken not to include recruitment in the team based approach and recommendation AA2002/01/01/002 has therefore been closed.

14. OIOS was not presented with any evidence that SAS had taken any action on AA2002/01/01/003 and noted inconsistencies in practices between units in the level and nature of advice and support provided to clients. For example, the unit dealing with UNON staff members sends reminders for the discontinuation of non-removal allowance after the expiry of the initial five years while the one dealing with UNEP believes it is the responsibility of the staff member to apply for an extension. This lack of consistency may undermine the credibility of SAS and increases the risk of UNON making contradictory rulings to the different organisations it serves. This recommendation therefore remains open.

15. UNON *commented that HRMS believes that a unit that deals with policy issues would be more appropriate at the HRMS- rather than the SAS-level. HRMS will strive to apply administrative practices consistently and SAS will ensure that its entire staff will observe identical practices.* OIOS appreciates the response and agrees with UNON that a central HRMS level Unit would be more beneficial. OIOS will close recommendation AA2002/01/01/003 upon notification that HRMS has set up such a Unit.

(b) Offices away from Nairobi Headquarters

16. During the audit of HRMS in 2000, OIOS recommended that HRMS should liaise with UN-HABITAT and UNEP and create a file detailing its specific human resources (HR) responsibilities for Offices Away from Nairobi Headquarters (OANH) (AA2000/16/3/022). OIOS reviewed copies of letters sent to UN-HABITAT and UNEP OANH's highlighting the different HR responsibilities

between UNON and those offices. Whereas the letters indicating the delegation of HR responsibilities are a good starting point, OIOS is of the view that more needs to be done:

- a) **Accuracy** - There is nothing distinguishing between the different types of offices served, such as UNEP administered conventions, regional offices, liaison offices, all of which may have different types and natures of delegated authority.
- b) **Completeness** - Documentation provided did not cover all UN-HABITAT and UNEP offices away from Nairobi Headquarters such as UNEP liaison offices in New York, Beijing, Brasilia, Moscow, Addis Ababa, and substantive offices in Shiga/Japan, Cambridge/United Kingdom, and Sioux Falls/USA.
- c) **Approval** - there is no evidence that documentation has been discussed with, or approved by the Executive Directors of UN-HABITAT and UNEP who are the custodians of delegated authority in staff administration matters.
- d) **Focal Points** - the list of responsibilities did not include focal points in both HRMS and UN-HABITAT or UNEP offices away from Nairobi Headquarters. The letters only identify the responsible office and not the focal point through which queries and other clarifications can be sought. Also, focal points can be used to supply offices with up-to-date information on UN rules and regulations pertaining to HR matters.

17. The original recommendation is closed and replaced by the following:

Recommendation:

To ensure that all UN-HABITAT and UNEP offices away from Nairobi Headquarters administered by Staff Administration Section, UNON are clear on their and UNON's human resources roles, responsibilities and authority, Chief, Human Resources Management Service, UNON should, in consultation with UN-HABITAT and UNEP, prepare and issue a new circular which specifies the respective roles, responsibilities and authority of all the parties involved in human resources matters, and should also outline the mechanism for handling and resolving queries (Rec. 02).

18. *UNON commented that HRMS would, in consultation with UNEP and UN-HABITAT, prepare a draft circular that will outline the roles, responsibilities and authorities in Human Resource matters for UNEP and UN-HABITAT for their offices away from Nairobi Headquarters. This circular will take into account the different structure of the offices administered by UNON and the administrative support structure in place with these offices. The draft circular will be ready for discussion with the Administrative staff of UNEP out-posted offices, who will be present in Nairobi in May 2005, and appropriate arrangements will be made to present the draft to representatives of UN-HABITAT out-posted offices. OIOS is very encouraged by the UNON response and will close the recommendation upon receipt of the circular, which specifies the respective roles, responsibilities and authority of*

all the parties involved in human resources matters, and outlines the mechanism for handling and resolving queries.

E. Planning and Monitoring

19. In the OIOS audit of HRMS conducted in 2002, OIOS observed that HRMS had not developed a proactive approach for applications / requests for entitlements from staff members (AA2002/01/01/007). The OHRM Monitoring Mission Report of 16 March 2004 also recommended that HRMS needed to foster a more strategic approach. SAS has made improvements in this area and the above mentioned recommendation has been closed but in trying to improve, it is clear that SAS needs assistance as it lacks basic management information required to perform adequate planning and monitoring activities:

- a) **Target dates for submission of staff entitlements** - OIOS was pleased to note that target dates for submission of claims have been incorporated in all circulars on procedures issued for each entitlement. Whilst this was an excellent initiative to give guidance to staff, its value was largely lost as no data was kept recording what happened in practice. This was necessary to determine whether any changes were required to the submission date or whether additional measures were required to make staff aware of the need to follow the submission deadline. It is also important to have some basis for the submission date and no such evidence was available for review.
- b) **No time frames or benchmarks for the processing of staff entitlements** - Time frames and benchmarks for the processing of entitlements were issued in January 2004 and also incorporated into the Service Level Agreement (SLA) which was signed between UNON and UN-HABITAT and UNEP. OIOS observed that there was a mismatch between the two documents in that time frames for certain activities were not identical. For instance in the SLA, processing of entitlement travel, home leave and family visit were scheduled to take five days whereas the SAS memorandum states it will take two weeks. Similarly, separation from service and related actions were supposed to be processed in five days as per SLA whereas SAS memorandum puts it at 4 to 6 weeks. There was also no distinction between Headquarters and an OANH.
- c) **Management Information** - SAS has not developed procedures to collect basic information such as the number of staff entitled to a particular benefit in order to monitor the workload and report accordingly. For example, there is no data on number of staff entitled to education grant, the number of children involved and the schools for which the majority of the students attend. Such information would enable the Unit to estimate the volume of activities, be aware of time frames as schools close at different times and also monitor staff members who may not have submitted their claims for follow-up action. Similarly, statistical information on number of staff entitled to other staff entitlements such as home leave, family visit, and rental subsidy was not available. Furthermore, SAS has not developed procedures to collect statistical data to monitor and report on the timeliness of processing entitlements from when applications or requests are received in SAS to payment of the

entitlement. OIOS is of the view that in order for this activity to be properly set up, a logging-in mechanism should be developed where Human Resources Officers record date of receipt of the request and date of completion. The previous recommendation (AA2002/01/01/009) where SAS was requested to “collect statistical data to monitor the timeliness of processing entitlements from when applications or requests are received in SAS to payment of the entitlement” will therefore be closed and replaced by the ones below.

20. *UNON commented that subsidies and grants are administrative entitlements that need to be claimed by the staff member. HRMS strives to create a supportive environment that facilitates the submission of requests for these entitlements – this does not, however, exonerate the individual staff member from taking the initiative. It is important to note that circulars are posted on the bulletin board, but some staff members do not take the time to familiarize themselves with the contents of these circulars. A large percentage of staff administered is outside of the duty station and many staff go on frequent mission. OIOS is therefore surprised to learn of the reliance placed on the Bulletin Board, which is only accessible through UNON intranet. Staff should be able to easily find out what their entitlements are, have a clear statement on how rules will be applied within the duty station in respect of an entitlement, know what information HRMS expects them to provide to receive an entitlement, and know how long it will usually take for an entitlement to be processed and paid. They should also know whom to contact if they have a query on an interpretation of a rule. Key to this is monitoring performance in delivery of each entitlement so that HRMS is able to demonstrate that only a small percentage of staff is experiencing difficulties in claiming entitlements.*

Recommendations:

To improve the effectiveness and efficiency of operations in UNON Staff Administration Section (SAS), Chief, Human Resources Management Services, UNON, should request Chief, SAS, UNON to ensure that the processing time frames for entitlements issued in January 2004 and the ones contained in the Service Level Agreement are harmonised to avoid any ambiguities, in consultation with all stakeholders (Rec. 03).

21. *UNON commented that HRMS would review the two documents on timeframes and the service level agreement to realign the benchmarks, paying special attention to Offices away from Nairobi. A comprehensive document will be ready by 31 March 2005. OIOS thanks UNON for the prompt action proposed, and will close the recommendation upon receipt of the revised document for processing timeframes.*

To generate meaningful statistical information and to aid UNON Staff Administration Section (SAS) in its planning activities, Chief, Human Resources Management (HRMS), UNON, should request Chief, SAS UNON to introduce a logging-in system where Human Resources Officers record the date of receipt of a request and date of completion. This management information should be summarised and used for discussions with Chief, HRMS and Chief, Division of Administrative Services on the performance of SAS (Rec. 04).

22. *UNON commented that an Information Technology consultant is currently on board with HRMS and one of his tasks is to develop a document workflow system, which will be able to track when a request was received through to its final completion.* OIOS notes the positive action taken and will close the recommendation upon receipt and review of details of the document workflow system.

To streamline the processing of UNON entitlements, Chief, Human Resources Management Service, UNON, should request Chief, Staff Administration Section, UNON, in conjunction with the IMIS Coordinator, to develop procedures for maintaining basic data for all entitlements they administer, such as numbers of staff entitled to education grant, number of children involved and the type of schools they attend (Rec. 05).

23. *UNON commented that the number of education grants processed in a given period could be extracted from IMIS. It is also possible to get from IMIS the number of dependent children eligible for education grant. HRMS does not see the need to know what type of school children attend – education grant is processed if the staff member is eligible for it within the education grant rules.* OIOS appreciates the additional information on education grant claims, and is encouraged to know that the basic information UNON needs for planning and monitoring is available. OIOS suggested that it might be useful to know the type of school for verifying eligibility of such things as special education needs. OIOS will close the recommendation upon clarification from HRMS whether it intends to collect basic information on each entitlement and what information it intends to collect.

F. IMIS data integrity

24. In the OIOS audit of HRMS conducted in 2000 (AA2000/16/3), OIOS observed that a number of data in IMIS had not been correctly input by the responsible personnel in HRMS. It was established that some information had remained unverified and official staff members' documents required for IMIS processing remained uncertified over extended periods of time. As a consequence, a recommendation (AA2000/16/3/027) was made requesting HRMS and SAS in particular to, "develop and implement a strategy outlining (i) the modalities, resources, timetables and deliverables required to "clean up" existing IMIS data; and (ii) the policies and procedures needed to ensure the accuracy of such data."

25. This OIOS review concluded that IMIS data was still not accurate and recommendation AA2000/16/3/027 will remain open:

- a) **Unverified Staff Member data** - The audit team noted a number of Personnel Action (PA) forms that had data, which had not been verified by SAS due to the lack of the appropriate documents on the individual staff members' files. Similarly information such as place of home leave was lacking for some staff members. Management explained that some of this information is held in UN Headquarters (UNHQ) especially for persons who were recruited through the UNHQ. In the opinion of OIOS, SAS could simply have put a note to file that the relevant documentation was in New York and refer to contact point to obtain the information if required. As an

alternative, copies of the documentation could have been requested for completeness.

1. *UNON commented that the activity is ongoing to clean up the IMIS data. The Systems Support Unit carries out data checks and advises SAS as necessary. SAS liaises with the concerned staff members to obtain the correct data and input it upon receipt. Difficulties arise with data from offices away from Nairobi administered by other UN offices such as UNOG or ESCAP. Staff members are also not always forthcoming in supplying information. The only remedy for this would be to delay entering staff members in IMIS until all information is supplied. For staff members transferring from other offices, the complete official status file is requested. Whilst appreciating the additional information OIOS is of the opinion that there is more that can be done by SAS to ensure data integrity. OIOS has suggested in the past that SAS should record on file where the relevant documents are, if in another UN duty station. It has also suggested that SAS send a copy of data entered into IMIS to the staff member requesting verification of its accuracy.*

b) **Staff Member Birth Certificate/Passport** - As was observed during the last IMIS data integrity audit for HRMS performed in 2000, there were no copies of birth certificates and/or passports for some staff members and their dependents. Consequently, the Name, Date of Birth and Nationality fields in the PA could not be independently verified.

2. *UNON stated that HR Officers and Assistants in SAS had been reminded that copies of birth certificates and passports need to be retained for the official status file as a matter of course. OIOS notes with appreciation the UNON comment.*

c) **Pension information** - One staff member's individual file in SAS had pension participation dates on file different from those indicated on their PA.

3. *UNON commented that it would be grateful if OIOS could indicate the index number of the staff member concerned, upon receipt of which corrective action will be taken. OIOS notes the comment and will resend the information.*

V. FURTHER ACTIONS REQUIRED ON RECOMMENDATIONS

4. 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 document stating the nature of authority delegated to UNON in Human Resources Management matters by UN-HABITAT and UNEP Executive Directors.
Rec. 02	Receipt of the circular, which specifies the respective roles, responsibilities and authority of all the parties involved in human resources matters, and outlines the mechanism for handling and resolving queries.

Rec. 03	Receipt of the revised document for processing timeframes.
Rec. 04	Receipt and review of details of the document workflow system.
Rec. 05	Clarification from HRMS whether it intends to collect basic information on each entitlement and what information it intends to collect.

VI. ACKNOWLEDGEMENT

5. I wish to express my appreciation for the assistance and cooperation extended to the audit team by management and staff of UNON Staff Administration Section.

Egbert C. Kaltenbach, Director
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