

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



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**AUDIT**

**OF**

**UNDP STAFF PAYROLL, ALLOWANCES AND BENEFITS**

**Report No. 1765**  
**Issue Date: 28 June 2017**

## Report on the Audit of UNDP Staff Payroll, Allowances and Benefits Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP staff payroll, allowances and benefits from 27 February to 13 April 2017. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) Governance including organizational structure, roles and responsibilities, policies and procedures, and monitoring and oversight.
- (b) Payroll processing, including salary advances and overtime.
- (c) Allowances and benefits, including education grant, hardship allowance, non-hardship allowance/non-family service allowance, mobility incentive, non-removal, rental subsidy, dependent child or spouse allowance, and representation allowance.

The audit covered the activities of the Office from 1 January 2015 to 31 December 2016. In 2016, UNDP paid an amount of \$781 million towards salaries, allowances and benefits of UNDP staff. The last audit of payroll, allowances and benefits was conducted by OAI in 2010.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the Office as **partially satisfactory / some improvement needed**, which means, "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to inadequate monitoring arrangements for allowances and benefits.

**Key recommendations:** Total = 6, high priority = 1

The six recommendations aim to ensure the following.

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1	High
	2, 3	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 5, 6	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

Inadequate monitoring arrangements for allowances and benefits (Issue 1)

The monitoring mechanism for the validation of the monthly payroll cycle did not extend to all allowances and benefits. For example, there was no evidence of any checks being performed during the audit period for review of supporting documentation that staff members were required to keep for secondary dependant allowances, repatriation grant, and home leave. Further, there was no evidence of checks performed to confirm that the self-reporting done by staff members was correct and that any changes had been reported by staff members on a timely basis.

There was no document defining the monitoring roles and responsibilities in relation to monitoring allowances and benefits. A service level agreement between the GSSU, OFRM and OHR was signed during the course of the audit fieldwork, on 10 April 2017; however, it did not cover monitoring roles for allowances and benefits, although it did set out an oversight and monitoring role for payroll for the Global Payroll Services team.

Recommendation: The Office of Human Resources in coordination with the Office of Operations, Legal & Technology Services and the Office of Financial Resources Management should improve the monitoring process for allowances and benefits by: (a) updating the service level agreement to clearly define the roles and responsibilities for the monitoring of allowances and benefits; and (b) defining a clear follow-up procedure for actions to be taken for all issues identified through the monitoring or review activities in relation to allowances or benefits in the 'UNDP Programme and Operations Policies and Procedures'. This should set out clear accountability, escalation and recovery processes.

### Management comments and action plan

The Director of the Office of Human Resources, and the Deputy Assistant Administrator, Deputy Director & Chief Finance Officer accepted all the recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations