



AUDIT

OF

UNDP LEAVE MANAGEMENT SYSTEM

Report No. 1283
Issue Date: 13 June 2014

Table of Contents

Executive Summary	i
I. About the leave management process	1
II. Audit results	1
A. Governance	1
1. Roles and responsibilities	1
2. Policies and procedures	3
B. IT Tools and controls	4
Definitions of audit terms - ratings and priorities	7

Report on the audit of UNDP Leave Management System Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP leave management system from 3 March to 17 April 2014. 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 roles and responsibilities, policies and procedures, staffing and communications; and
- (b) IT tools and controls pertaining to the leave management process, reporting and monitoring leave balances, and using the eServices leave module.

The audit covered the period from 1 January 2012 to 17 April 2014. This was the first audit conducted of the leave management system.

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

Overall audit rating

OAI assessed the UNDP leave management system as **partially satisfactory**, which means “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to the lack of application controls relating to leave entry and adjustments.

Key recommendations: Total = 3, high priority = 1

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:

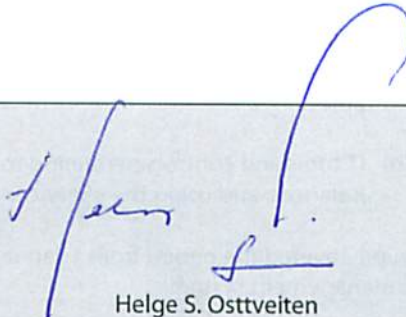
Lack of application controls in relation to leave entry and adjustments (Issue 3)

A review of the eServices leave module showed a lack of controls in a number of areas. Specifically, the policies regarding annual leave and home leave specified certain balance thresholds that should not be exceeded, however, the eServices leave module did not include any system controls to ensure compliance with these policies. Furthermore, large numbers of entries were being made by leave monitors on behalf of staff members in the eServices leave module. In addition to entering data on behalf of staff members, leave monitors also had the ability to directly adjust the leave balances of staff members. No controls were in place governing these manual adjustments.

Recommendation: Improve controls for recording and monitoring leave.

Management comments and action plan

The Director, Office of Human Resources accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.



Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the leave management process

The leave management process is governed by the 'Staff Rules and Staff Regulations of the United Nations' and UNDP 'Programme and Operations Policies and Procedures'. The main types of leave include annual leave, home leave, sick leave, maternity and paternity leave, special leave and family leave. At UNDP, most types of leave can be requested and approved via the eServices leave module in Atlas (UNDP's enterprise resource planning system), as well as through paper-based procedures. The eServices leave module was launched globally in November 2011. Each unit or office has one or more leave monitors who have access to the eServices leave module and can enter leave on behalf of staff members and amend leave balances in the Atlas human resources module. Accrued annual and home leave balances are valued every month and the resulting liability is included in the UNDP financial statements, as per the UNDP accounting policy in compliance with International Public Sector Accounting Standards. As at 30 April 2013, there was an accrued balance of 306,502 days of annual leave for staff and the average annual leave balance per staff member was 37 days. As at 30 April 2014, the accrued leave balance was 303,420 days, and the average annual leave balance per staff member remained at 37 days.

II. Audit results

Satisfactory performance was noted in the following area:

Governance - staffing. Staff at the Office of Human Resources who were involved in the administration of the leave management process were knowledgeable about the leave policies and procedures and IT tools (eServices leave module) available to staff.

OAI made three recommendations ranked high (critical) and medium (important) priority.

High priority recommendation:

- (a) Improve controls for recording and monitoring leave (Recommendation 3).

Medium priority recommendations, arranged according to significance:

- (a) Improve support to the leave management system by defining the roles and responsibilities for providing system and user support and creating a mechanism for managing and transferring business and technical knowledge (Recommendation 1).
- (b) Update the leave sections of the 'Programme and Operations Policies and Procedures', and include in them the updated 'Atlas HR eServices – My Leave' document (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Governance

1. Roles and responsibilities

Issue 1 Unclear support roles for eServices and lack of knowledge management

Clearly defining and communicating roles and responsibilities helps to ensure effective and efficient support for the eServices leave module, and provides support to its users.

System support roles and responsibilities, including providing user assistance through a helpdesk were not clearly defined and communicated to staff. Support was provided on an ad hoc basis by the former Project

Manager of the leave module, the IT help desk, or the Payroll Finance Unit of the Office of Financial Resources Management.

There was also no mechanism to manage and transfer relevant technical and business knowledge related to the eServices leave module.

The lack of clearly defined roles and responsibilities may result in inconsistent approaches to supporting the eServices leave module. Furthermore, the absence of a mechanism to manage the system and business knowledge may result in either the loss of, or ineffective use of relevant knowledge.

Priority	Medium (Important)
Recommendation 1:	
<p>Improve support to the leave management system by:</p> <ul style="list-style-type: none"> (a) defining the roles and responsibilities for providing system and user support for the eServices leave module in consultation with the Office of Information Systems and Technology and the Office of Financial Resources Management; and (b) creating a mechanism for managing and transferring business and technical knowledge relating to the eServices leave module. 	
Responsible HQ bureau: Office of Human Resources	
Management action plan:	
<ul style="list-style-type: none"> (a) The eServices module was developed by the Office of Human Resources – Benefits and Entitlements Services and the Office of Information Systems and Technology, with Benefits and Entitlements Services providing the functional inputs and the Office of Information Systems and Technology developing and providing technical support. The latest set of requirements received by the Office of Information Systems and Technology was to be included in their work plan for 2014. <p>While the eServices module is still being developed and stabilized, the Office of Information Systems and Technology will provide the technical development and system support.</p> <p>Regarding user support, the Office of Information Systems and Technology confirmed that the Helpdesk team already received 387 Customer Relationship Management cases for eServices so far in 2014, and responded to and closed a significant number of cases received. The Office of Human Resources and the Office of Information Systems and Technology will move towards including support for the eServices leave module in the Helpdesk as far as Tier 0 (reception and registration of cases) is concerned. Benefits and Entitlement Services, as functional owners, will identify one or more resources that will act as Tier 2 and Tier 3, and will respond to and close these cases.</p> <ul style="list-style-type: none"> (b) Staff Administrative Services will set up an eServices website which will be used as a repository for the current set of user documentation as well as for both functional and technical project documentation. 	
Estimated completion date: December 2014	

2. Policies and procedures

Issue 2 Insufficient leave-related policies

Clear, complete and up-to-date guidance concerning leave management in the 'Programme and Operations Policies and Procedures' would help to ensure consistency in how UNDP manages leave.

The following weaknesses were noted:

- At the time of the audit, the 'Programme and Operations Policies and Procedures' did not set out clear and consistent requirements for staff and managers when requesting and approving leave using the eServices leave module. Only the home leave section mentioned the use of the eServices leave module as an option, as well as a paper form-based approach.
- The roles and responsibilities of staff, including leave monitors, were not fully defined in the UNDP 'Programme and Operations Policies and Procedures'.
- The 'Atlas HR eServices – My Leave' document, which prescribes detailed procedures for using the eServices leave module, along with setting out the roles and responsibilities for all staff (including leave monitors and supervisors) concerning leave requests, approval and monitoring processes, was only communicated to the Office of Human Resources staff as part of a pilot scheme, and had not been rolled out to the entire organization at the time of the audit.
- The sections in the 'Programme and Operations Policies and Procedures' dealing with annual and other types of leave showed that a review of the existing policy was to be completed by 31 December 2013. However, there was no evidence of completed reviews at the time of the audit. Additionally, the existing guidance did not contain a sick leave section, and sick leave was only briefly mentioned in the annual leave section.

Outdated and insufficient guidance may result in inconsistencies in leave management across the organization and potential misstatements of financial liabilities associated with staff leave balances.

Priority	Medium (Important)
Recommendation 2:	
Update the leave sections of the 'Programme and Operations Policies and Procedures', and include in them the updated 'Atlas HR eServices – My Leave' document.	
Responsible HQ bureau: Office of Human Resources	
Management action plan:	
(a) The Office of Human Resources is processing a request to make the necessary adjustments to the existing leave management procedures in the 'Programme and Operations Policies and Procedures'.	
(b) Sections of the 'Programme and Operations Policies and Procedures' concerning leave will be updated to add references to eServices and procedures revised to include a link to the updated "Atlas HR eServices – My Leave" document. Changes will be submitted through UNDP's normal	

policy framework and submitted through the usual channels for corporate approval.

Estimated completion date: October 2014

B. IT Tools and controls

Issue 3 Lack of application controls in relation to leave entry and adjustments

The UNDP eServices leave module supports the organization-wide management of leave, and the data transferred to the Atlas financial module has an impact on financial statements. Adequate application controls help ensure that all transactions processed by the eServices leave module are valid, complete, authorized and correctly recorded. Application controls can be divided into input controls, processing controls, output controls and controls over master data. Preferably, application controls should be incorporated in the information system to be controlled. However, where this is not possible for any reason, including technical complexities/limitations or lack of resources, outside and/or manual controls can be put in place to compensate for the lack of system controls and to help ensure that transactions are processed correctly.

Review of the eServices leave module showed a lack of controls in a number of areas; specifically:

(a) Data entry by users

The policies regarding annual leave and home leave specified certain balance thresholds that should not be exceeded. For example, the policy on annual leave did not allow negative annual leave balances in excess of 12 days, and the home leave policy did not allow home leave 'point' balances¹ in excess of negative 12 points. However, the eServices leave module did not include any system controls to ensure compliance with these policies.

During 2013, the lack of controls resulted in 499 instances where staff members had home leave 'point' balances in excess of the applicable threshold, and 106 instances of negative annual leave balances exceeding the applicable threshold.

(b) Data entry by leave monitors on behalf of users

A large number of entries were being made by leave monitors on behalf of staff members, as shown in the table below.

¹ Certain categories of internationally recruited staff members are entitled to home leave. Staff member accrues 1 or 2 points each calendar month of service. A staff member is entitled to home leave when s/he has accrued 24 points. Number of points accrued is based on the hardship category of the duty station of the staff member. Advance home leave which results in negative home leave points may be approved when at least 12 points have been accrued.

Table 1: Number of entries by leave monitors on behalf of staff members

Leave Type in Atlas system	Year			Grand Total
	2012	2013	2014 (1 st quarter)	
Annual Leave Take	21,461	13,585	3,061	38,107
Certified Sick Leave Take	4,459	2,774	639	7,872
Family Leave Take	557	344	61	962
IP - Annual Leave Take	8,324	4,947	1,411	14,682
IP - Home Leave Take	1,069	451	113	1,633
IP PRL Leave Take	37	33	1	71
Maternity Leave Take	236	200	20	456
Paternity Leave Take	301	238	26	565
Uncertified Sick Leave Take	9,503	5,510	1,039	16,052
Grand Total	45,947	28,082	6,371	80,400

Source: Atlas system – data extracted by OAI

These entries, whether entering leave requests on behalf of staff members or modifying earlier entries made by staff members, did not require supervisor approval in the system and neither staff members nor their supervisors received any notification about the entries.

(c) Manual adjustments of leave balances by leave monitors

In addition to entering data on behalf of staff members in the eServices leave module, leave monitors also had the ability to directly adjust leave balances of staff members. These adjustments were made through the Global Payroll & Absence Management part of the Atlas Human Capital Management module, and not the eServices leave module. In 2013, there were 8,200 adjustments related to annual leave and 400 adjustments related to home leave.

No controls were in place governing these manual adjustments, which did not need to be approved. Leave monitors could make adjustments regardless of whether the change resulted in balances which were no longer in line with applicable policies. In addition, neither staff members nor their supervisors received any notification of such manual adjustments made to their leave records.

Manual adjustments could be tracked using one of the available Atlas queries. However, these queries did not provide users with the level of detailed information necessary to determine what the adjustments actually entailed.

Lack of controls may result in incorrect or incomplete data entry and unauthorized changes or amendments to existing data, leading to incorrect leave balances and ultimately to misstatements of financial liabilities associated with staff leave balances.

Priority	High (Critical)
Recommendation 3:	
Improve controls for recording and monitoring leave by:	
<ul style="list-style-type: none">(a) requiring that automated email notifications be sent to staff members and their supervisors for each entry made by a leave monitor, and reminding Heads of Office of the requirements to (i) review leave requests that may result in negative leave balances, and (ii) upload evidence of written approval in the eServices leave module;(b) introducing additional reports and/or improve the functionality of the available Atlas queries that would allow supervisors to easily monitor manual adjustments;(c) reminding staff of the requirement to use the eServices leave module to request leave and remind managers that they can track staff use of eServices, including the number of instances where staff members did not request leave through eServices or where the leave was requested after it was taken in the IPSAS Dashboard; and(d) reminding human resources focal points of the home leave policy and the need to reject any home leave requests which would result in the home leave 'point' balances no longer complying with existing policy.	
Responsible HQ bureau: Office of Human Resources	
Management action plan:	
<ul style="list-style-type: none">(a) Approvals for leave which will lead to a negative leave balance sit with the Head of Office – not with the staff member's supervisor – so the workflow in such cases is different and has additional controls in place. Staff Administrative Services has put in place a procedure whereby the Head of Office signs off via email and that email approval is to be uploaded in eServices as well; Staff Administrative Services will promulgate this procedure more widely.(b) Staff Administrative Services will approach the leave monitors requesting them to suggest three reporting improvements that would strengthen the leave monitor role/system.(c) Management proposes that a notification be sent from Office of Human Resources to all staff, reminding them to use eServices for all leave administered through the system.(d) Management suggests a one-time clean-up of point balances in excess of 40, and the subsequent communication to all staff informing them of this and reminding them of the need to apply for home leave through eServices.	
Estimated completion date: (No information provided by OHR; OAI will follow up)	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** 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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.