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Office of Audit and Investigations

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AUDIT

OF

HUMAN RESOURCES MANAGEMENT

IN

UNDP AFGHANISTAN

Report No. 1286

Issue Date: 10 June 2014

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Report on the audit of Human Resource Management in Afghanistan
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of human resource management in UNDP Afghanistan (the Office) from 16 February to 4 March 2014. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the management of human resources.

The audit covered the activities of the Office from 1 January to 31 December 2013. The Office had a workforce of approximately 700 personnel. The last audit of the Office covering human resources management was conducted by OAI in February 2012 (OAI report No. 974, issued on 4 September 2012).

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

Overall audit rating

OAI assessed the Office's human resources management 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 discrepancies in the details recorded in the Atlas and the supporting documentation, inadequate segregation of duties, weaknesses in recruitment and processing of staff benefits and entitlements. Two of these issues had also been raised in the previous audit.

Key recommendation: Total = **8**, high priority = **5**

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. All high (critical) priority recommendations are presented below:

Discrepancies in information of national staff between Atlas and Unit's records and inadequate documentation (Issue 1)	There were discrepancies in regard to the personal information of national staff in the Human Resources Management Unit records and in Atlas. Though the Office had undertaken a one-time review to validate the accuracy of personal and dependency information for all national staff recorded in Atlas, the issue of missing documents was not followed up effectively. As of March 2014, 34 national staff had not provided adequate supporting documentation to enable the Unit to check the accuracy of their personal information recorded in Atlas. Furthermore, review of the recruitment of seven national staff in 2013 identified two cases where there were dependents recorded in Atlas, but there were no documents in the Unit that supported the existence of these dependents.

Recommendation: Correct the discrepancies identified in the July 2013 review conducted by the Human Resources Management Unit and strengthen the on-boarding process and the documentation of personal information to maintain accurate information. |
| Inappropriate segregation of payroll duties and in Atlas profiles (Issue 2) | The principle of segregation of incompatible roles and duties was not fully adhered to when staff were designated for processing payroll and when Atlas profiles were assigned for human resource and payroll administration. Two staff performed incompatible duties in the processing of payroll and several staff members were assigned multiple profiles in Atlas. Also, the bank authorization |

letters prepared manually were not independently reconciled with the details in the Atlas payroll.

Recommendation: Reassess the duties and roles relating to payroll processing and Atlas human resources profiles and institute appropriate segregation and adequate controls, including those relevant to electronic fund transfers.

Inadequate justification and inefficiencies in recruitment process (Issue 4)	In all 16 recruitment cases reviewed, there was no documented justification as to why qualified candidates were not shortlisted for interviews. Further, some recruitment processes were considered inefficient, as recruitment processes for certain positions were either put on hold and then restarted, or cancelled.

Recommendation: Comply with the recruitment procedures to ensure proper justification for not long listing and short listing candidates to achieve the purpose of recruiting the right people for the right job. |
| Weak management of danger allowance for national staff and service contract holders (Issue 6) | The Office incorrectly deducted payments for danger allowance from the salaries of national staff and service contract holders based on a misinterpretation of the policy. Also, the Office had not required national staff to explicitly indicate the place and number of leave days, particularly for leaves outside the duty station. Unless voluntarily disclosed, the Office presumed the leave to be within the duty station and danger allowance continued to be paid.

Recommendation: Manage the entitlements and payments for danger allowance in line with the policy and take corrective actions on any over or under payments made to concerned national staff and service contract holders. |
| Inadequate controls over management of overtime (Issue 7) | There were inadequate controls over management of overtime. Some overtime paid in the month of October 2013 were not justified, some personnel worked overtime for five months in a six-month period, and the 40 hours threshold was exceeded in several instances.

Recommendation: Enhance controls over management of overtime by documenting the justification for overtime at the requesting stage and improving the process for the approval and monitoring of frequent and excessive use of overtime. |

Implementation status of previous OAI audit recommendations: Report No. 974, 4 September 2012.
Total recommendations: 7
Implementation status: 5 implemented; 2 previously considered "implemented" found not to be fully implemented (previous Recommendation Nos. 3 and 6), and thus being reopened.

Management comments and action plan

The Country Director accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided had 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

I.   About the Office

The Office is located in Kabul, Afghanistan (the Country). Its 2010-2013 Country Programme Document focused on four themes: (a) stabilization and peacebuilding; (b) democratic governance; (c) livelihoods, natural resource management and disaster risk reduction; and (d) national development policies for economic growth and poverty reduction. The Office's programme and management expenditures totalled $650 million during 2012 and $760 million during 2013.

The Office is UNDP's largest programme, globally delivering close to 20 percent of all of UNDP's delivery in one of the world's most insecure environments, with unparalleled challenges. The challenges of the Office are immense, both internally and externally, as are the opportunities for sustainable development, albeit more difficult as a result of the security, political and socio-economic transition facing the Country. Thus, UNDP Headquarters continues to undertake strategic reviews (in 2011 and 2014) of the Office to adapt to the ongoing changes and to improve efficiency, quality and timeliness in the implementation of its programme and operations.

II.   Audit results

Satisfactory performance was noted in the following area:
   ▪   <u>Separation from service</u>. No reportable issues were noted in the review of staff separations.

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

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report. Medium priority recommendations that had been implemented as advised by the Office (and independently validated by OAI) prior to the issuance of this report are not included in this report.

High priority recommendations, arranged according to significance:
   (a)   Comply with the recruitment procedures to ensure that proper justification for not long listing and short listing candidates to achieve the purpose of recruiting the right people for the right job (Recommendation 4).
   (b)   Correct the discrepancies identified in the July 2013 review conducted by the Human Resources Management Unit and strengthen the on-boarding process and the documentation of personal information to maintain accurate information (Recommendation 1).
   (c)   Reassess the duties and roles relating to payroll processing and Atlas HR profiles and institute appropriate segregation and adequate controls, including those relevant to electronic fund transfers. (Recommendation 2).
   (d)   Manage the entitlements and payments for danger allowance in line with the policy and take corrective actions on any over or under payments made to the concerned national staff and service contract holders (Recommendation 6).
   (e)   Strengthen the documentation, approval and use of overtime (Recommendation 7).

Medium priority recommendations, arranged according to significance:
   (a)   Ensure efficient utilization of staff resources of the Human Resources Management Unit (Recommendation 3).
   (b)   Complete the Results and Competency Assessments for 2012 and Performance Management Development for 2013 as soon as possible, and plan for timely completion of future performance assessments (Recommendation 5).
   (c)   Improve leave management and security training of service contract holders (Recommendation 8).

The detailed assessment is presented below, per audit area:

A. Human resource governance

As of December 2013, the Office's Human Resources Management Unit consisted of 23 personnel (14 staff on fixed-term appointments and 9 service contract holders). In addition, seven human resources staff were hired by the Office and assigned to specific projects to assist with recruitment. The main functions of the Unit included the creation and management of posts, selection and recruitment of employees, staff development, benefits and entitlements, and management of the separation process. The Office has the largest workforce in UNDP and in 2013 increased in size by 24 percent, as shown in Table 1 below:

Table 1: Total UNDP Afghanistan workforce during 2012 and 2013

Number of personnel	2012	2013
International	69	125
National Officers	25	37
General Service	43	68
Service contract holders	434	474
UNV	3	9
Total	**574**	**713**

Source Executive snapshot, March 2014

In 2013, the Office recruited 177 personnel (45 international staff, 38 national staff, and 94 service contract holders). OAI reviewed the Human Resources Management Unit structure, integrated work plan, and roles and responsibilities.

The preparation of a strategic plan for human resource management is one of the responsibilities of the Head of the Unit. As of March 2014, the Office indicated to OAI that they had been working on and developing a comprehensive human resource strategy, which would enable the Unit to identify and implement goals in line with the organizational needs and strategic objectives of the Office and UNDP. As this work was in progress, OAI did not make a recommendation.

Related to the preparation of a strategic plan is the preparation of an annual work plan that is congruent to the strategy. The work plan sets out the objectives to be achieved, priorities to be considered, key measurable results to be delivered, the corresponding risks to be mitigated, and the activities to be undertaken by the Unit within a defined period. The 2013 work plan did not include targets and verifiable indicators for the planned activities. Furthermore, the 2014 annual work plan had yet to be prepared. Following the audit, the Office prepared an integrated work plan for 2014, which included verifiable indicators and targets. As such, no recommendation has been made.

Issue 1	Discrepancies in information of national staff between Atlas and Unit's records and inadequate documentation

The 'UNDP Internal Control Framework' provides that at the time of initial recruitment, complete personal information must be recorded, and later updated when family status changes (i.e., the birth of a child, changes in dependents, recording a spouse). The Human Resources Management Unit must ensure that supporting documentation relating to personal information of staff is submitted to them prior to recording these details in Atlas. This detailed personal information is the basis for determination and eventual payment of benefits and entitlements to the concerned staff members.

During 2013, the Human Resources Management Unit identified discrepancies between the personal information reflected in the records retained by the Unit and those entered in Atlas. In July 2013, the Unit conducted a one-time review to validate the accuracy of personal and dependency information for all

national staff recorded in Atlas. In August 2013, the Office informed the concerned staff of the discrepancies in their employment records, and they were requested to provide the appropriate identification documents within three months from receipt of the letter. However, the Unit did not follow up with staff that did not respond by the established deadline. As a result, as of March 2014, 34 national staff had still not provided adequate supporting documentation for their dependents. Also, the Office had not informed the United Nations Joint Staff Pension Fund of the corrections in the staff members' date of birth.

Furthermore, review of the recruitment of seven national staff in 2013 identified two cases where there were dependents recorded in Atlas, but there were no documents in the Unit that supported the existence of these dependents.

The Unit indicated that the discrepancies arose due to weaknesses in the on-boarding process. Without adequate supporting documentation, overpayments of dependency allowance and other benefits may have occurred, and pension fund accruals may have been incorrect.

Priority	High (Critical)
Recommendation 1: Correct the discrepancies identified in the July 2013 review conducted by the Human Resources Management Unit and strengthen the on-boarding process and the documentation of personal information to maintain accurate information by: (a) obtaining all relevant personal and dependency information of new staff prior to recording their details in Atlas; (b) issuing to 34 staff a final deadline for submission of the remaining documents, and in the event dependents information cannot be supported, consult with Legal Support Office, regarding the cessation of related benefits and recovery of overpayments; and (c) informing the United Nations Joint Staff Pension Fund of instances where the staff members' date of birth has been modified.	

Management action plan: (a) More rigorous controls have been established that include the development of a checklist for the on-boarding of new staff. (b) Staff had a deadline of 16 May 2014 to provide supporting documentation. The staff with no supporting documents for their entitlements will be notified that the entitlements will be suspended and appropriate action will be taken in consultation with Legal Support Office. (c) Information will be provided to United Nations Joint Staff Pension Fund once (b) has been completed. **Estimated completion date:** October 2014

Issue 2   Inappropriate segregation of payroll duties and in Atlas profiles

The 'UNDP Internal Control Framework' requires that there be a segregation of incompatible roles and duties. In the processing of payroll, offices need to ensure that those responsible for preparing payroll are not responsible for reviewing and authorizing payroll as well as advising the bank of payments. When assigning profiles in Atlas, it is crucial to the principle of segregation of duties that staff are assigned only one profile, consistent with their respective roles.

This issue involves close coordination between the Human Resources Management Unit and the Finance Resources Management Unit, and therefore findings on the entire process are presented here.

(a)   Inappropriate segregation of duties in payroll processing

The Office processed the payroll of approximately 1,200 personnel (including UNDP and five other UN agencies) during 2013. The total payments for the payroll were $35.7 million. In addition, the Office's local bank did not have the facility to accept electronic transfer requests from the Global Payroll Unit. As a result, the Office's Finance Resources Management Unit manually prepared letters authorizing the bank to pay the salaries to personnel bank accounts.

In reviewing the roles and duties of staff responsible for payroll processing, OAI identified control weaknesses wherein the same staff performed multiple and incompatible duties, including the manual preparation and delivery of letters to the bank to execute payments. Two signatories are required for the bank letter. However, there was no reconciliation of the amounts in the bank letters with those in the Atlas payroll.

Given the very high volume of payroll related transactions ($37.7 million per year), and given the inadequate segregation of duties and roles, there is a risk that irregularities or unauthorized payroll adjustments may go undetected. In addition, relying on one individual to carry out several critical business transactions puts at risk the efficient, timely, and accurate processing of payroll.

The Office indicated that it is coordinating with the Bureau of Management to develop a global payroll interface between Atlas and the bank's system that will eliminate the manual preparation of bank letters.

(b)   Inappropriate assignment of Atlas profiles

A review of the Atlas profiles indicated the following:

- Position Administrator profile: The 'Internal Control Framework' provides that this core function should be assigned to a senior staff member within the Human Resources Management Unit, since the person with this profile can create positions in Atlas. The Office had entrusted 11 personnel within the Unit with the Position Administrator profile, including 4 General Service staff and 3 service contract holders. The assignment of this profile to service contract holders is contrary to the 'Service Contract Guidelines', which consider the hiring of local office personnel for core functions as improper use of the service contract modality.

- Multiple HR Atlas profiles: The 'Internal Control Framework' provides that staff should have one Atlas profile consistent with their role. OAI noted that two staff members in the Human Resources Management Unit had multiple Atlas profiles that included Position Administrator, HR Administrator, and GP Administrator. Further, four staff had Position Administrator and HR Administrator profiles. These profiles are considered incompatible and should not be assigned to one individual.

- Four personnel had not signed the delegation of authority corresponding to their Atlas profile. The Office addressed this during the course of the audit, and as such no recommendation has been made.

The Office indicated that staff were provided with multiple Atlas profiles in view of the large number of personnel managed by the unit.

Designating the Position Administrator profile to many staff members increases the risk of errors and possible duplications in the creation and/or dissolution of posts. Additionally, the assignment of multiple HR Atlas profiles prevents the Office from implementing an effective system of checks and balances with regard to the administration of its human resources and payroll.

Priority	High Critical)

Recommendation 2:

Reassess the duties and roles relating to payroll processing and Atlas HR profiles and institute appropriate segregation and adequate controls, including those relevant to electronic fund transfers by:

    (a) continuing to coordinate with the Bureau of Management for the development and implementation of a bank payroll interface that will provide the Office with electronic funds transfer capability;

    (b) establishing an independent reconciliation process between the bank letters and the Atlas payroll, prior to the submission of bank letters; and

    (c) assigning one or only compatible roles in payroll processing and Atlas profile to each human resource/finance personnel consistent with their respective roles.

Management action plan:

    (a) In consultation with Bureau of Management, the Office is working to prepare a system that will support implementation of a global payroll interface, which will eliminate the manual preparation of bank letters.

    (b) Segregation of duties will be reviewed in line with the recommendation.

    (c) Mitigating controls were being instituted at two stages. First is at the bank letter sign-off – random checks are performed on staff salaries and compared against the pay register. Second is at the monthly bank reconciliation stage – the bank to book details are matched with the global payroll transactions in the bank statement, and any differences are to be identified and reported.

    (d) Atlas profiles have been amended to reflect one Atlas profile consistent with roles and responsibilities.

Estimated completion date: Item (d) Completed; (Items a to c) September 2014

    Issue 3   <u>Weaknesses in management of the Unit's personnel resources</u>

The 'Programme and Operations Policies and Procedures' require that the hiring of individual consultants, as well as the temporary and detailed assignment of personnel, be supported by a terms of reference, and that an evaluation be completed at the end of their respective assignments. Further, any additional resources must be adequately justified at the outset.

During 2013, the Human Resources Management Unit hired additional resources through temporary assignments, detailed assignments, and individual contracts to undertake human resource functions. However, justification for the hiring of these additional resources for the Unit was not adequately documented. A number of the functions they were required to perform were included in the job descriptions of the incumbent human resource personnel. In addition, evaluations were not completed at the end of the assignment in 4 out of 13 cases.

The Human Resources Management Unit hired 7 individual contractors to participate on interview panels despite having 6 local staff and 1 international staff member dedicated to recruitment. The Office explained that the additional resources were required to improve transparency within the recruitment process and provide a learning opportunity to existing personnel.

When additional resources hired do not have clear objectives or final evaluations, there is no assurance that the outputs and costs incurred were adequate and justified.

Priority	Medium (Important)
Recommendation 3:	
Ensure efficient utilization of resources of the Human Resources Management Unit by: (a) completing a performance evaluation for all personnel on temporary assignments as well as individual contractors at the end of their assignments; and (b) justifying the need for hiring external resources.	
Management action plan:	
(a) Performance evaluations will be completed for all individual contract holders and personnel on detailed or temporary assignment. (b) Prior to initiating the search for an individual consultant, or personnel on temporary or detailed assignment a business case will be developed to justify the additional resource.	
Estimated completion date: Ongoing	

B. Recruitment

During 2013, the Office recruited a total of 83 staff members (38 local and 45 international staff) on fixed-term appointments. According to the 'Recruitment and Selection Framework', the applicants that meet the recruitment criteria (such as minimum years of experience and academic qualifications) must be long listed. After the completion of long listing, further review must be undertaken to finalize the shortlist to identify candidates to be interviewed. OAI reviewed the documentation relating to 16 recruitments successfully completed. OAI also reviewed four samples of cancelled recruitments and the related records. The weaknesses noted are discussed below:

Issue 4   Inadequate justification and inefficiencies in recruitment process

The UNDP 'Recruitment and Selection Framework' requires that the selection of candidates follow a transparent, fair, and competitive process. In addition, the long listing and shortlisting procedures must be followed and documented for every selection and recruitment. If no female candidate is included in the shortlist, a waiver must be requested from the Director, Office of Human Resources. The last audit of Human Resources Management (OAI Rep No. 974, issued 4 September 2012) included a similar issue on the lack of documentation for recruitment decisions, as well as lapses in the long listing process (previous Recommendation No. 3).

A review of recruitment undertaken during 2013 disclosed that the above requirements were not always followed, as described below:

(a) In all 16 recruitment cases reviewed, there was no documentation as to the reasons why some applicants that had the qualifications and the experience required for the post were not shortlisted for interview. In a further review of 55 candidates not shortlisted, there were 36 that met the minimum criteria in terms of qualifications and experience. Of the 36 candidates, 9 candidates had additional competencies that were listed as being "highly desirable and advantageous" but there was no written justification indicating why they were not shortlisted for interview. In the absence of this documentation, OAI could not assess if all the recruitments were undertaken in a transparent, fair and competitive process.

(b) In 2 of the 16 recruitment cases reviewed, there was no documentation as to why certain candidates were not long listed.

(c) The Office cancelled the recruitment process of 48 positions in 2013, of which 19 were cancelled after the final interview stage. Further, in two of four cases reviewed, there was inadequate justification for the cancellation. A similar issue was raised in the previous OAI audit (Report No. 974).

(d) For three of the cancelled recruitments, no female candidates were shortlisted for interview, and the corresponding waiver was not obtained.

(e) The recruitment for 29 posts was not efficient, as after initiating the process, they were put on hold for several reasons (i.e., restructuring, budgetary constraints, etc.) and then reactivated after some period. The recruitment for the 29 positions required longer than four months to complete.

The Human Resources Management Unit stated that they were not aware of the requirement to adequately document each stage of the recruitment process. As stated above, the issue on lack of documentation was already included in the last (OAI Report No. 974).

Without adequate documentation, there is no assurance that the recruitment processes were transparent, fair, and competitive. Staff recruitment is a critical activity as it impacts the entire Office. The time and resources invested in these processes are significant, but not hiring the right people are even more costly, such as having low productivity, time spent in resolving performance and separation issues as well as conducting another recruitment.

Priority	High (Critical)
Recommendation 4: Comply with the recruitment procedures to achieve the purpose of recruiting the right people for the right job by: (a) adequately documenting decisions at each stage of the selection process and including justification for the long listing and shortlisting of qualified applicants; (b) ascertaining the reasons as to why positions under recruitment were cancelled and ensuring that these do not occur as frequent in the future; and (c) reviewing the underlying reasons for the recruitment of the remaining posts that were put on hold for extended periods and taking corrective measures.	
Management action plan: (a) All hiring managers will be reminded that all decisions regarding long listed candidates are to be appropriately documented by adding comments on the JobSite when applications are being shortlisted. (b) The human resources planning process will be strengthened in coordination with Project Managers and Programme Units to minimize cancellations and the need to place recruitments on hold. **Estimated completion date:** (a) End May 2014 (b) Ongoing	
OAI Response: As noted above, the findings from the previous audit had recurred. Thus, OAI is opening Recommendation No. 3 contained in Report No. 974, as follows: "The Office should comply with the UNDP Recruitment and Selection Framework by ensuring that actions and decisions are properly documented for each recruitment process." OAI will continue to monitor the implementation of this recommendation as part of its regular desk follow-up.	

C. Staff assessment

OAI reviewed the Office's compliance with the 'Programme and Operations Policies and Procedures' requirements related to the completion of performance assessments, development and implementation of learning plans, and completion of mandatory training. OAI identified the following weaknesses in the completion of performance assessments.

Issue 5   Performance assessments not completed in a timely manner

The 'Programme and Operations Policies and Procedures' require staff members to complete within a certain timeframe the Performance Management Development (previously the Results and Competency Assessment prior to 2013), and establish individual learning plans to address training and development needs. Further, the last audit of Human Resources Management (OAI Report No. 974, issued 4 September 2012) noted that performance assessments were not completed in a timely manner (see previous Recommendation No. 6).

At the time of the audit, the Office had not completed the 2012 Results and Competency Assessments for 13 staff (11 percent), even though the assessments should have been completed by 31 March 2013. In relation to the 2013 Performance Management Development Assessments, 213 (85 percent) of the 250 staff members had not completed them as of 2 March 2014 as shown in Table 2.

Table 2: 2013 Performance Management Development Assessments completion rate

Status as of 2 March 2014	No. of staff (in percent)
Completed	37 (15%)
In process	180 (72%)
Not started	33 (13%)
Total	**250**

Even though the Human Resources Management Unit had been proactive in encouraging staff to complete their Performance Management Development Assessments, the completion rates remained low. By not completing staff assessments in a timely manner, performance issues and training requirements may not be adequately documented or addressed.

Priority	Medium (Important)

Recommendation 5:

Complete the Results and Competency Assessments for 2012 and Performance Management Development Assessments for 2013 as soon as possible and plan for the timely completion of future performance assessments.

Management action plan:

The Results and Competency Assessments were reviewed and concerned staff members (both the supervisor and staff) were identified and appropriate actions were being taken. For the remaining 2013 assessments, reminders have been sent to staff and supervisors for immediate completion, and are continuously following up to finalize the remaining Performance Management Development Assessments.

Estimated completion date: End June 2014

> **OAI Response:**
>
> As noted above, the findings from the previous audit had recurred. Thus, OAI is opening Recommendation No. 6 contained in Report No. 974, as follows: "The Office should fully comply with requirements of the Programme and Operations Policies and Procedures by: (a) ensuring that Results and Competency Assessments are completed within the required timeframe…". OAI will continue to monitor the implementation of this recommendation as part of its regular desk follow-up.

D. Staff benefits and entitlements

The Office paid salaries and benefits to 1,200 personnel totalling $36 million from 1 January – 31 December 2013 as listed in the Table 4 below. OAI reviewed the Office's procedures for paying personnel salaries, danger pay, and overtime as well as recording attendance and leave.

Table 3: Salary and benefits managed by the Office

	January - December 2013 (in $million)
International - benefits payments (R&R / Danger pay / SOLA)	3.8
National Officers / General Service staff (salary and benefits)	16.7
Service contract holders (salary and benefits)	15
United Nations Volunteers (benefits)	0.25
Total	**35.75**

Source: Atlas

Issue 6   Weak management of danger allowance for national staff and service contract holders

The 'Programme and Operations Policies and Procedures' provide that national staff and service contract holders are paid danger allowance where dangerous conditions prevail, as determined by the International Civil Service Commission and based on presence at the duty station, even when they are on leave. However, this is not payable for days spent away from the duty station in conjunction with annual leave or any absence on official travel beyond seven consecutive days, including weekends and holidays. The established danger allowance rate is $538 per month (or $18 per day) for national staff and service contract holders.

(a)   Incorrect danger allowance deductions made from payroll

The Office incorrectly interpreted the above mentioned policy in such a way that they deducted from the payroll of national staff and service contract holders' overpayments made for danger allowance from the first day, instead of from the end of the seven consecutive days when leave is availed of outside the duty station. As a result, the Office incorrectly deducted danger allowance from the salaries of a number of national staff and service contract holders.

(b)   Inadequate documentation and control in the payments of danger allowance

- For national staff, the Office had not established formal procedures whereby national staff notify the Human Resources Management Unit when leave of absence is taken outside of the duty station.   Hence,

unless the national staff voluntarily disclosed the place and number of days of leave, the Office presumed the leave was availed within the duty station and danger allowance continued to be paid.

▪ In the case of service contract holders, they are required to complete the ''Annual Leave/R&R/Weekend travel form'' confirming the number of days of leave that will be taken outside the duty station. A review of a sample of leave forms of 25 service contract holders identified 10 instances where the locations of leave were not specified; therefore it could not be determined whether a deduction to the danger pay allowance would be applicable.

Incorrect payments of the danger allowance can have financial implications for both staff and the Office.

Priority	High (Critical)
Recommendation 6: Manage the entitlements and payments for danger allowance in line with the policy and take corrective actions on any over or under payments made to the concerned national staff and service contract holders by: (a) ensuring that danger allowance is not paid when absence of any nature from duty station exceeds seven days; (b) reviewing danger pay deductions from service contract holders and national staff and take corrective actions; (c) requiring national staff to complete the leave form indicating when and how many days leave of absence is to be taken outside the duty station and submit supporting documentation once the leave has been taken; and (d) conducting ad hoc reviews, to confirm the accuracy and adequacy of documentation of entitlements and payments of danger allowance.	
Management action plan: (a) Requested advice from the Policy Unit on the interpretation of the policy and based on the response, appropriate actions will be taken. (b) Procedures have been established for national staff and service contract holders to indicate when they travel outside their duty station. (c) Will complete ad hoc reviews to confirm the accuracy of danger pay deductions. **Estimated completion date:** June 2014 and ongoing	

Issue 7 Inadequate controls over management of overtime

The 'Programme and Operations Policies and Procedures' and the 'Service Contract Guidelines' do not encourage staff to work overtime for better performance and health conditions. However, when necessary, the overtime must be justified in advance and the hours worked documented and approved by the supervisor. Further, 'UNDP Staff Rules and Staff Regulations' require that overtime be limited to 40 hours per month for every staff member, unless there are exceptional circumstances. The Office paid a total of $170,000 for overtime of national staff during 2013.

A review of overtime management identified the following weaknesses:

(a) There was no documented justification for the overtime paid to 24 personnel in October 2013. As a result, OAI was not able to validate the justification for the overtime.

(b)   In a sample of five cases (three mechanics and two cleaners), overtime was paid in five months of the six-month period reviewed.

(c)   The overtime hours worked by 8 of the 10 personnel sampled during the month of June 2013 exceeded the recommended limit of 40 hours.

Inadequate management of overtime could lead to increased costs and affect performance of staff.

Priority	High (Critical)
Recommendation 7: Enhance controls over management of overtime by: (a) documenting the justification for overtime at the requesting stage; and (b) improving the process for the approval and monitoring of frequent and excessive use of overtime.	
Management action plan: (a) The documentation for the justification for overtime at the requesting stage will be enforced. (b) The amount of overtime taken will be monitored and cases where overtime appears excessive will be investigated. **Estimated completion date:** July 2014	

E.   Service contract management

The Office had 474 service contract holders at the end of the audit period. OAI reviewed controls over the recruitment, terminations, training as well as the leave records of the service contract holders.

Issue 8   Weaknesses in leave management and in mandatory security training

The 'Service Contract Guidelines' stipulate that annual leave will be accrued in accordance with the local practice, except that in no case is the service contract holder to provide for less than 1.5 days of paid leave per month. In addition, the Guidelines consider the hiring of local office personnel for core functions as improper use of the service contract modality. Moreover, the Guidelines provide that either party may terminate the contract before the expiry date of the contract by giving notice in writing of a minimum of 14 days.

OAI noted the following weaknesses:

(a)   Leave management – Service contract holders accumulate two days of annual leave per month, however, there was no formal authorization from the Office of Human Resources for the higher leave rate. In 25 cases reviewed, the Office permitted annual leave balances in excess of the allowable maximum of 18 days to be carried forward. Further, the year-end attendance record had not been signed-off by service contract holder and the supervisor to agree on the final leave balance.

(b)   Core functions – Nine service contact holders were performing core functions in the Office's Finance Resources Management Unit and Human Resources Management Unit.

(c) <u>Low completion rate of mandatory security courses</u> – As of the audit fieldwork, 294 (59 percent) of service contract holders had not completed the "Basic Security" course and 309 (62 percent) had not completed the "Advanced Security" course.

Inaccurate leave records may result in service contractors inaccurately accruing more annual leave than they are actually entitled to, which may have a financial impact on the Office.Furthermore, by not completing the security courses in a timely manner, service contract holders may be inadequately prepared for possible security incidents.

Priority	Medium (Important)
Recommendation 8: Improve leave management and security training of service contract holders by: (a) obtaining approval of the Office of Human Resources for the allowable leave rate per month as well as the total leave that may be carried forward; (b) ensuring that service contract holders perform functions included in the 'Service Contractor Guidelines'; (c) signing off leave records on an annual basis and ensuring that leave carried forward does not exceed 18 days; and (d) requiring completion of the mandatory security training courses within the next three months.	

Management action plan:

(a) Approval will be sought for leave rates in excess of the 1.5 day per month.
(b) The contractual modalities will be aligned with the job functions resulting from the restructuring of the Office in parallel with the Headquarters clustering initiative.
(c) Approval and sign off of leave records will be done on an annual basis.
(d) Due to language difficulties for lower level personnel, Learning Security courses in Dari have been scheduled from 18-22 May 2014, to increase the completion rate. For new arrivals, this course will be repeated on a regular basis.

Estimated completion date: August 2014

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.