



## INTERNAL AUDIT DIVISION

### REPORT 2014/066

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Audit of entitlements and allowances of civilian personnel in the United Nations Interim Force in Lebanon

Overall results relating to the effective management of entitlements and allowances in the United Nations Interim Force in Lebanon were initially assessed as partially satisfactory. Implementation of two important recommendations remains in progress

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

23 July 2014

Assignment No. AP2014/672/02

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# AUDIT REPORT

## Audit of entitlements and allowances of civilian personnel in the United Nations Interim Force in Lebanon

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of entitlements and allowances of civilian personnel in the United Nations Interim Force in Lebanon (UNIFIL).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure: (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. UNIFIL employed 308 international and 635 national civilian staff, and had been delegated the authority to administer 11 civilian entitlements and allowances.
4. The UNIFIL Human Resource Management Section consisted of 32 staff and was headed by a Chief at P-5 level. UNIFIL expenditure for the 11 civilian entitlements and allowances during the fiscal year 2012/13 was \$5.9 million as shown in Table 1. United Nations Staff Regulations and Rules and applicable administrative instructions and information circulars governed the administration of these entitlements and allowances.

**Table 1: Entitlements and allowances of civilian personnel paid in 2012/13**

<i>Category</i>	<i>Cases</i>	<i>Amounts (\$'000)</i>
Home leave	313	1,928
Education grant travel	112	391
Family visit	27	71
Dependency allowance - national staff	1,384	1,902
Assignment grant	82	657
Relocation grant	40	502
Language allowance	132	255
Additional yearly shipments	64	85
Rental subsidies	10	73
Transportation of privately owned vehicle	3	6
Special post allowance	10	n.a.
<b>Total</b>	<b>2,177</b>	<b>5,870</b>

Source: UNIFIL Human Resource Information and SUN systems

5. Comments provided by UNIFIL are incorporated in italics.

### II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of UNIFIL governance, risk management and control processes in providing reasonable assurance regarding the **effective management of entitlements and allowances of civilian personnel in UNIFIL**.

7. This audit was included in the 2014 OIOS risk-based work plan due to the financial risk related to payment of entitlements and allowances.

8. The key control tested for the audit was regulatory framework. For the purpose of this audit, OIOS defined this key control as the one that provides reasonable assurance that policies and procedures: (a) exist to guide the management of civilian entitlements and allowances; (b) are implemented consistently; and (c) ensure the reliability and integrity of financial and operational information.

9. The key control was assessed for the control objectives shown in Table 2. Certain control objectives (shown in Table 2 as “Not assessed”) were not relevant to the scope defined for this audit.

10. OIOS conducted this audit in February and March 2014. The audit covered the period from 1 July 2012 to 30 June 2013. The audit was limited to the administration of 11 civilian entitlements and allowances (enumerated in Table 1), which had been delegated to UNIFIL. Other civilian entitlements and allowances such as mobility, hardship and non-removal allowances, and dependency allowance for international staff were administered by the Department of Management and education grant by the Department of Field Support, and were therefore not included in the present audit.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

### III. AUDIT RESULTS

12. The UNIFIL governance, risk management and control processes examined were initially assessed as **partially satisfactory** in providing reasonable assurance regarding the **effective management of entitlements and allowances of civilian personnel in UNIFIL**. OIOS made two recommendations to address issues identified. Except for the administration of assignment grant, OIOS concluded that controls over the administration of civilian entitlements and allowances that had been delegated to UNIFIL were adequate and working effectively. UNIFIL needed to improve controls over the payment of assignment grants, as there were four overpayments totaling \$22,300 pertaining to this entitlement.

13. The initial overall rating was based on the assessment of the key control presented in Table 2. The final overall rating is **partially satisfactory** as implementation of the two important recommendations remains in progress.

**Table 2: Assessment of key control**

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of entitlements and allowances of civilian personnel	Regulatory framework	Partially satisfactory	Satisfactory	Not assessed	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

## Regulatory framework

The Mission adequately administered civilian entitlements and allowances, although it needed to strengthen procedures over payment of additional assignment grant

14. OIOS used the United Nations Staff Regulations and Rules (ST/SGB/2013/3) and applicable administrative instructions and information circulars governing each of the 11 entitlements and allowances to assess controls over their administration. Table 3 shows the results of audit tests conducted on entitlements and allowances paid to civilian personnel in fiscal year 2012/13.

**Table 3: Results of audit tests of civilian entitlements and allowances paid in fiscal year 2012/13**

<i>Category</i>	<i>Population</i>		<i>Samples Tested</i>		<i>Conclusion</i>
	<i>Cases</i>	<i>Amount (\$'000)</i>	<i>Number</i>	<i>Amount (\$'000)</i>	
Home leave	313	1,928	72	292	Satisfactory
Education grant travel	112	391	26	111	Satisfactory
Family visit	27	71	6	14	Satisfactory
Dependency allowance - national staff	1,384	1,902	172	212	Satisfactory
Assignment grant	82	657	25	22	With exceptions
Relocation grant	40	502	9	95	Satisfactory
Language allowance	132	255	28	48	Satisfactory
Additional yearly shipments	64	85	12	25	Satisfactory
Rental subsidies	10	73	5	48	Satisfactory
Transportation of privately owned vehicles	3	6	2	4	Satisfactory
Special post allowance	10	--	5	--	Satisfactory
<b>Total</b>	<b>2,177</b>	<b>5,870</b>	<b>362</b>	<b>871</b>	

15. OIOS concluded that controls over the administration of civilian entitlements and allowances that had been delegated to UNIFIL were adequate and working effectively, except for the administration of assignment grant, as outlined in the following paragraphs.

16. Staff holding fixed-term or continuing appointments were entitled to an assignment grant upon initial appointment or assignment to a new duty station. Staff were required to serve at the duty station for one year or more. The initial assignment grant consisted of one-month net salary and one-month daily subsistence allowance. In addition, if an assignment of less than three years' duration was subsequently extended to three years or more, a second assignment grant for one-month net salary was payable at the beginning of the third year. Where a staff member did not complete the third year of appointment, the second assignment grant had to be recovered proportionately.

17. During the audit period, UNIFIL paid a total of \$657,000 for 37 initial and 45 second assignment grants. OIOS concluded that initial assignment grants were accurately paid. However, four from a sample of 13 second assignment grants identified overpayments totaling \$22,300:

- One staff was incorrectly paid twice; in January 2012, which was the first month of his third year of service, and again in September 2012. The Human Resource Section made an error when reviewing the staff member's entitlements. The staff retired in October 2012 and the duplicate payment was not recovered; and

- The Human Resource Management Section did not recover a total of \$13,400 from three staff members who did not complete three years' service during the separation/re-assignment process between June and September 2013. UNIFIL subsequently clarified that in two of these three cases, recovery was waived based on Section 6.7 of the Administrative Instruction on assignment grant (ST/AI/2012/1).

18. These overpayments were made as the separation and re-assignment procedure did not require verification of the completion of three years of service for the second assignment grant.

**(1) UNIFIL should review past second assignment grant payments to staff and take action to recover any overpayments.**

*UNIFIL accepted recommendation 1 and stated that it would review all second assignment grants paid. Recovery action for any overpayments would be initiated and recorded. Recommendation 1 remains open pending receipt of evidence that a review has been completed and if required overpayments have been recovered.*

**(2) UNIFIL should implement procedures to ensure that any entitlement paid to staff that is dependent on completing a certain length of service to ascertain that the staff member has met the established criteria.**

*UNIFIL accepted recommendation 2 and stated that it would develop a mechanism to prevent overpayment of assignment grants. Recommendation 2 remains open pending receipt of a copy of procedures implemented to prevent overpayment of assignment grant and evidence of their implementation.*

#### **IV. ACKNOWLEDGEMENT**

19. OIOS wishes to express its appreciation to the Management and staff of UNIFIL for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of entitlements and allowances of civilian personnel in UNIFIL

Recom. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UNIFIL should review past second assignment grant payments to staff and take action to recover any overpayments.	Important	O	Receipt of evidence that a review has been completed and if required overpayments have been recovered.	July 2014
2	UNIFIL should implement procedures to ensure that any entitlement paid to staff that is dependent on completing a certain length of service to ascertain that the staff member has met the established criteria.	Important	O	Receipt of a copy of procedures implemented to prevent overpayment of assignment grant and evidence of their implementation.	July 2014

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UNIFIL in response to recommendations.

# **APPENDIX I**

## **Management Response**





Inter Office Memorandum

11 July 2014

To: Ms. Eleanor T. Burns  
Director, Peacekeeping Audit Service  
Internal Audit Division, OIOS

From: Major General Paolo Serra  
Head of Mission and Force Commander  
UNIFIL

A handwritten signature in blue ink, appearing to read 'Paolo Serra', with a long horizontal line extending to the right.

Subject: **Draft Report on an Audit of Civilian Personnel Entitlements in UNIFIL**  
**(Assignment No. AP2014/672/02)**

1. We refer to your memorandum on the audit of civilian personnel entitlements, reference MO140602 dated 25 June 2014. Please find attached UNIFIL response to the recommendations contained in the subject draft audit report.

2. In following the usual procedure, copies of supporting documents will only be provided to the MERAO based at UNIFIL HQ and will not be transmitted to you with this Mission response.

Best regards.

Cc: Mr. Wolfgang Weiszegger, Director of Mission Support, UNIFIL.  
Mr. Effendi Syukur, Chief Compliance Unit, UNIFIL  
Ms. Anna Halasan, Professional Practices Section, Internal Audit Division, OIOS

## Management Response

## Audit of entitlements and allowances of civilian personnel in the United Nations Interim Force in Lebanon

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNIFIL should review past second assignment grant payments to staff and take action to recover any overpayments.	Important	Yes	Chief Human Resources Management Section	31 July 2014	<p>UNIFIL Human Resources Management Section will conduct a review of the payments of second assignment grants. This review is expected to be completed by end of July 2014.</p> <p>It is envisioned that with the implementation of a new Enterprise Resource Planning (ERP) system a mechanism will hopefully be included that will prevent the payment of the same entitlement to a staff member twice at a duty station.</p>
2	UNIFIL should implement procedures to ensure that any entitlement paid to staff that is dependent on completing a certain length of service to ascertain that the staff member has met the established criteria.	Important	Yes, with comments	Chief Human Resources Management Section	31 July 2014	<p>UNIFIL Human Resources Management Section will develop a mechanism procedures to ensure that any entitlement paid to staff that is dependent on completing a certain length of service to ascertain that the staff member has met the established criteria</p> <p>UNIFIL Human Resources Management Section would like to note that with regard to the second bullet point of paragraph 19, page 4 contained in the Draft Report, two of the second assignment grants were for staff</p>

<sup>1</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

APPENDIX I

Management Response

Audit of entitlements and allowances of civilian personnel in the United Nations Interim Force in Lebanon

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						<p>members who were moved by the organization.</p> <p>The recovery was therefore waived in accordance with the relevant ST/AI/2012/1, Section 5.7.</p> <p>A 'Note to the file' was placed on their Official Status (OS) files for documentation purposes. The memo to recover the 2nd lump sum portion for another staff member was sent to Finance on 15 April 2014. It is believed that a request was sent to Finance earlier, however no copy of the same was on the staff members Official Status (OS) file. Further detailed documents are already shared with the resident auditors.</p>