OIOS
Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

REPORT 2014/045

Audit of overtime in the United Nations Office at Nairobi

Overall results relating to efficient and effective use of overtime in the United Nations Office at Nairobi were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

9 June 2014
Assignment No. AA2013/211/02

CONTENTS

AUDIT REPORT

Audit of overtime in the United Nations Office at Nairobi

I.   BACKGROUND

1.   The Office of Internal Oversight Services (OIOS) conducted an audit of overtime in the United Nations Office at Nairobi (UNON).

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.   UNON was established in January 1996 as a successor to two separate divisions of administration of the United Nations Environment Programme (UNEP) and the United Nations Human Settlements Programme (UN-Habitat) as well as the United Nations Common Services Unit at Nairobi. The organization structure of UNON consists of the Office of the Director-General, the Division of Administrative Services (DAS), the Division of Conference Services (DCS), the Security and Safety Service (SSS), and the United Nations Information Centre (UNIC).

4.   UNON policy on overtime was contained in an information circular on "Official hours of work, overtime, compensatory time off and night differential in UN duty station Nairobi, Kenya". Overtime refers to time worked by General Service (GS) staff members in excess of the scheduled work week, or time worked on United Nations official holidays, provided that such work has been authorized in advance by an appropriate official.   Staff members who are required to work overtime should be given compensatory time off (CTO) or additional payments. Credits for overtime were calculated as follows:

   a. Overtime was calculated at 1.5 times of the staff member's base salary and language allowance, if any, for work in excess of eight hours on any working day.

   b. Night differential was calculated at 1.1 times of the staff member's base salary and language allowance, if any, for work undertaken by staff members between 06:00 p.m. and 08:00 a.m. The night differential compensation was paid on top of the overtime compensation.

   c. For work performed on official holidays, the credit was calculated at twice the staff member's base salary and language allowance, if any.

5.   For the purpose of this audit, "overtime" is a comprehensive term that includes overtime, night differential and work on official holidays.

6.   From January 2011 to October 2013, UNON staff members worked a total of 361,373 hours of overtime on which UNON incurred expenditure of $5.5 million (see Table 1).

Table 1: Cost of overtime by Division or Office from January 2011 to October 2013 (amounts in $)

Division/Office	2011	2012	January to October 2013	Total
Security and Safety Service	1,363,511	1,321,213	674,644	3,359,368
Division of Administration	485,650	437,445	179,825	1,102,920
Division of Conference Services	460,695	305,701	212,925	979,321
Office of the Director-General	19,581	14,450	9,440	43,472
Total	**2,329,438**	**2,078,809**	**1,076,834**	**5,485,080**

Source: UNON Division of Administrative Services

7.   Comments provided by UNON are incorporated in *italics*.

II.   OBJECTIVE AND SCOPE

8.   The audit was conducted to assess the adequacy and effectiveness of UNON governance, risk management and control processes in providing reasonable assurance regarding the **efficient and effective use of overtime**.

9.   This audit was included in the 2013 OIOS work plan at the request of UNON in view of the risk that the policy on overtime may not be implemented efficiently and effectively, which could in turn result in unnecessary expenditures to the Organization.

10.   The key control tested for the audit was **regulatory framework**. For the purpose of this audit, OIOS defined regulatory framework as controls that provide reasonable assurance that policies and procedures: (i) exist to regulate overtime at UNON; (ii) are implemented effectively; and (iii) ensure the reliability and integrity of financial and operational information.

11.   The key control was assessed for the control objectives shown in Table 3.

12.   OIOS conducted the audit from 16 January to 21 February 2014. The audit scope included overtime for the period from January 2011 to October 2013. OIOS reviewed and analyzed: the policies and procedures in place for overtime, including those relating to prior authorization, review and approval of overtime claims before they are paid. The audit team also met and held discussions with the responsible managers in the various divisions and offices within UNON.

13.   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. The audit team reviewed on a sample basis overtime pertaining to 65 out of the 532 staff who had overtime during the period January 2011 to October 2013, as indicated in Table 2 below.

Table 2: Total and sample number of overtime hours during the period January 2011 to October 2013

Description	2011	2012	2013 (January to October)	Totals
Total number of overtime hours for all 532 staff members	167,181	127,482	66,710	**361,373**
Number of hours of overtime pertaining to the sample of 65 staff members	50,279	36,631	16,994	**103,904**
Percentage	**30%**	**29%**	**25%**	**29%**

III.   AUDIT RESULTS

14.   The UNON governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **the efficient and effective use of overtime.** OIOS made four recommendations in the report to address issues identified in the audit. UNON had reduced the expenditure on overtime by 53 per cent from $2.3 million in 2011 to $1.1 million for the 10-month period up to 31 October 2013. UNON had established policies and procedures for implementing overtime, but they were outdated and needed to be revised. The on-line portal for authorizing overtime had been partially enhanced, but it still needed to be officially launched. There was also a need to conduct a comprehensive study of overtime costs in order to explore measures to curtail excessive overtime.

15.   The initial overall rating was based on the assessment of key control presented in Table 3 below. The final overall rating is **partially satisfactory** as implementation of four important recommendations remains in progress.

Table 3: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Efficient and effective use of overtime	Regulatory framework	Partially satisfactory	Satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A.   Regulatory framework

Measures introduced to reduce overtime were working satisfactorily

16.   The UNON policy on overtime stated that in the interest of the staff members' health and efficiency of service, supervisors shall not require a staff member to work more than 40 hours of overtime during any month, except where unusual exigencies of service so required. On 12 December 2012, the Director, Division of Administrative Services communicated to all staff members of UNON an immediate need to reduce overtime to 50 per cent of the levels at the time and that further reductions would be required in due course. To achieve this, any overtime over 40 hours would only be authorized by the

Chief, Budget and Financial Management Service (BFMS), and had to be taken as CTO. This measure contributed to the reduction of the cost of overtime in UNON by 53 per cent from $2.3 million in December 2011 to $1.1 million in 2013 (up to October). OIOS concluded that the measures introduced to reduce the cost of overtime were working satisfactorily.

The existing policy on overtime needed to be updated

17.   The existing UNON policy on overtime was outdated and needed to be updated to take into account the following changes and developments that had taken place in UNON:

•   The policy on overtime indicated that there were two tools in place for monitoring of overtime. Firstly, the Accounts Section was required to make available a quarterly overtime expenditure report to the budget officer, programme management officers and fund management officers. Secondly, the Human Resources Management Service focal points for leave monitoring were required to conduct a review of CTO three times a year and provide the information to managers for monitoring and decision making. None of these monitoring tools were used during the period under review. According to UNON management, both tools had been superseded and UNON had instead addressed the monitoring of overtime and CTO by developing the overtime portal and the Crystal reports from the Integrated Management Information System (IMIS) from which all data was directly accessible by managers.

•   The policy on overtime did not specify who should maintain the overtime authorizations, where they should be kept, and for how long. The Archives and Records Management Section (ARMS) retention schedule for general records required time sheets, leave and overtime files to be kept in the concerned offices for one year in paper format. This ARMS requirement was never reflected in the UNON overtime policy. A review of overtime records for 65 out of 532 staff members in UNON showed that seven staff members had kept their overtime authorizations; two had not kept their overtime authorizations and one had kept some of the authorizations. In 55 cases, the respective offices had kept the overtime authorizations for future reference. However, UNON had enhanced the overtime/leave portal to provide for on-line authorization as a means of addressing this weakness.

•   On 12 April 2012, the Director, Division of Administrative Services, communicated to all UNON staff members a new procedure requiring the Chief, BFMS to authorize any overtime in excess of 40 hours which were to be taken as CTO in order to minimize costs. The policy on overtime needed to be updated to reflect this new measure.

18.   Further, UNON policy on overtime stated that "security officers and drivers adhere to shifts; regular working hours are therefore not applicable to these staff members." In June 2012, the UNON administration discovered that overtime for security officers and drivers had for a decade been erroneously calculated. Rather than basing the computation on 12 hour shifts, overtime had been calculated based on a 37 hour regular work week (i.e. 7.25 hour day). Consequently, security officers and drivers on shifts accrued one hour overtime and 0.75 CTO every day even though they were employed to work 12 hour shifts[1].

19.   Effective January 2013, UNON rectified the erroneous computation of overtime for security staff working in 12 hour shifts. Further, in March 2013, UNON adopted the policy on overtime used for security officers in the United Nations Office at Vienna (UNOV). However, the policy followed by

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[1] Calculation of 12 hour shifts: 7.25 hours + 3 hours break + 1 hour overtime + 0.75 CTO = 12 hours.

UNOV was never formally promulgated by UNON, but was applied in order to rectify the erroneous calculation of overtime while awaiting the issuance of an updated policy on overtime within UNON.

20.   The lack of an updated and comprehensive policy on overtime resulted in gaps, ambiguity in interpretation of procedures and disparity in administering overtime.

> **(1) UNON should update the policy on overtime to ensure that it is comprehensive and unambiguous.**
>
> *UNON accepted recommendation 1 and stated that it will establish a working group to ensure a comprehensive review.* Recommendation 1 remains open pending receipt of the updated policy on overtime.

<u>On-line portal for overtime had been partially enhanced but still needed to be officially launched</u>

21.   UNON Information and Communication Technology Section (ICTS) designed and launched an in-house on-line overtime and leave monitoring system in 2003. Users entered details of overtime through an on-line portal and the system generated a breakdown of total overtime to be paid, CTO accrued and night differentials for the period worked within the particular month. Approving officers reviewed and approved the data entered and certified by the staff members' supervisors in the IMIS database for calculating monetary values used in the payroll system. The UNON Budget Section certified the data uploaded in IMIS for all UNON staff members.

22.   Before 2013, overtime authorizations were paper-based and were not uploaded through the on-line portal, which made it difficult to trace the supporting documents. The overtime claim process was however done through the on-line portal. Further, CTO data was not available in the system due to a technical malfunction which did not record the CTO hours taken. UNON explained that the system malfunctioned shortly after introduction and ICTS disabled the CTO feature. Consequently, CTO was manually tracked by respective divisions/offices.

23.   From January 2013, the ICTS/IMIS team enhanced the on-line portal such that overtime could be authorized directly in the system, thereby making the process paperless and traceable. As at July 2013, ICTS had also resolved the technical difficulties relating to the on-line portal with test runs showing successful upload of CTO details into IMIS. Despite the enhancements made to the on-line portal including user verification and acceptance testing, staff had not commenced using the system because it had not been officially launched.

24.   OIOS noted that the enhanced on-line portal still catered for staff members with a 37-hour work week only, excluding those working in shifts. This was because the system was designed based on the existing policy on overtime, which was not clear regarding provisions for staff working in shifts. UNON stated that shifts would not be incorporated in the enhanced on-line system because it would mean devising a system for use for just a limited duration before adopting Umoja (the enterprise resource planning solution of the United Nations) in which shifts would be captured[2]. However, a review of the Umoja Change Impact Document on "Request for overtime" (version 2013 07 17) showed that each duty station would be required to implement its own overtime authorization procedures. Therefore, UNON needed to address the authorization of overtime for staff members working in shifts even with the implementation of Umoja.

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[2] Umoja Extension I includes Time Management and was planned to be rolled-out in October 2014.

> **(2) UNON should further enhance the on-line portal for overtime to include staff members working in shifts and expedite the launch of the enhanced portal.**
>
> *UNON accepted recommendation 2 and stated that the enhancement of the portal is in progress and that some additional amendments have been decided upon.* Recommendation 2 remains open pending the launch of the enhanced portal.

Need to address disproportionate overtime taken by some staff members

25.   The UNON policy on overtime stated that in the interest of the staff members' health and efficiency of service, supervisors shall not require a staff member to work more than 40 hours of overtime during any month, except where unusual exigencies of the service so required. Between January 2011 and October 2013, 50 out of 532 General Service staff worked a monthly average of 66 hours of overtime per month (see Table 4).

Table 4: Analysis of total overtime hours for all staff and monthly average overtime hours for the 50 staff members who had worked the highest number of overtime hours in 2011, 2012 and 2013

Description	2011	2012	2013 (January to October)	Total
Total number of overtime hours worked	167,181	127,482	66,710	361,373
Number of overtime hours worked by 50 staff members with the highest number of overtime hours ("highest 50")	51,259	38,707	22,619	112,585
Average hours per staff (the "highest 50")	85	65	45	66

Source: UNON Division of Administrative Services

26.   UNON explained that certain staff members worked more overtime hours than others due to their assigned functions, such as security officers and drivers, while others worked overtime hours during certain peak periods such as BFMS Budget and Accounts Sections who work extra hours during closure of accounts and payroll at the end of each month. However, over the same period, two executive drivers assigned to the Director-General of UNON and the Executive Director of UNEP worked an average of 120 and 142 hours of overtime per month, respectively. Such excessive overtime hours could have health, safety and security implications as the nature of their work requires them to be alert and vigilant. The excessive overtime was attributed to the nature of the work of the executives, i.e. attending functions, conferences and meetings outside the normal working hours.

27.   In 2012, the Facilities Management and Transportation Section (FMTS) conducted a study on the total cost of overtime and related costs for executive drivers and close protection (security) officers assigned to UNON, UNEP and UN-Habitat for the first six months of 2012. The study showed that the cost of overtime accumulated by the staff members represented an average of 83 per cent of their salary, which was deemed significant. However, UNON did not use the results of the study to make appropriate decisions on overtime. Consequently, UNON lost an opportunity to address excessive overtime incurred by executive drivers and close protection officers. While the study was a positive step, OIOS is of the view that extending the analysis to all categories of staff entitled to overtime would provide a holistic view and assist Management in exploring measures such as planning for additional posts or hiring temporary staff during peak periods to curtail excessive overtime and ensure efficiency of operations. Such measures would also safeguard the health and occupational safety of staff.

(3) UNON should use the results of the study conducted by the Facilities Management and Transportation Section on overtime to explore measures to curtail excessive overtime expenditures and safeguard the health and safety of staff.

UNON accepted recommendation 3 and stated that it will implement the recommendation subject to the availability of necessary resources taking into consideration current, and for the balance of 2014, workload. Recommendation 3 remains open pending implementation of measures by UNON to curtail excessive overtime expenditures.

(4) UNON should conduct a comprehensive analysis of overtime costs for all categories of staff entitled to overtime and use the results for exploring measures to curtail excessive overtime.

UNON accepted recommendation 4 and stated that it will implement the recommendation subject to the availability of necessary resources taking into consideration current, and for the balance of 2014, workload. Recommendation 4 remains open pending the results of a comprehensive analysis of overtime costs for all categories of staff entitled to overtime and measures to curtail excessive overtime.

IV.   ACKNOWLEDGEMENT

28.   OIOS wishes to express its appreciation to the Management and staff of UNON 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 overtime in the United Nations Office at Nairobi

Recom. no.	Recommendation	Critical[3]/ Important[4]	C/ O[5]	Actions needed to close recommendation	Implementation date[6]
1	UNON should update the policy on overtime to ensure that it is comprehensive and unambiguous.	Important	O	Receipt of the updated policy on overtime.	31 Dec 2014
2	UNON should further enhance the on-line portal for overtime to include staff members working in shifts and expedite the launch of the enhanced portal.	Important	O	Launch of the enhanced portal.	30 Sep 2014
3	UNON should use the results of the study conducted by the Facilities Management and Transportation Section on overtime to explore measures to curtail excessive overtime expenditures and safeguard the health and safety of staff.	Important	O	Evidence of measures taken to curtail excessive overtime expenditures.	31 Dec 2014
4	UNON should conduct a comprehensive analysis of overtime costs for all categories of staff entitled to overtime and use the results for exploring measures to curtail excessive overtime.	Important	O	Evidence of a comprehensive analysis of overtime costs for all categories of staff entitled to overtime and measures to curtail excessive overtime	31 Dec 2014

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[3] 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.

[4] 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.

[5] C = closed, O = open

[6] Date provided by UNON in response to recommendations.

APPENDIX I

Management Response

United Nations ⬥ Nations Unies

INTEROFFICE MEMORANDUM   MÉMORANDUM INTÉRIEUR
UNITED NATIONS OFFICE AT NAIROBI

TO: **Mr Gurpur N. Kumar, Deputy Director,**   DATE: 26 May, 2014
A: **Internal Audit Division, OIOS**

FROM: Sahle-Work Zewde, Director-General,
DE: UNON

SUBJECT: **OIOS IAD Assignment no. AA2013/211/02 — Audit**
OBJET: **of overtime in UNON — draft report response**

        With reference to your memorandum requesting our comments on the draft report on subject audit, please find attached completed appendix 1.

        May we take this opportunity to express our appreciation for the professional and collaborative approach of the audit team.

CC: Mr Alexander Barabanov
       Ms Anna Halasan
       Ms Agness Chilinda
       Mr Chris Kirkcaldy
       Mr Kevin Stork

Management Response

Audit of overtime in the United Nations Office at Nairobi

Rec. no.	Recommendation	Critical[1]/ Important[2]	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNON should update the policy on overtime to ensure that it is comprehensive and unambiguous.	Important	Yes	OIC-HRMS	31 Dec 2014	A working group will be established to ensure a comprehensive review.
2	UNON should further enhance the on-line portal for overtime to include staff members working in shifts and expedite the launch of the enhanced portal.	Important	Yes	CICTS	30 Sep 2014	The enhancement is in progress, although recently declared ready some additional amendments have been decided upon.
3	UNON should use the results of the study conducted by the Facilities Management and Transportation Section on overtime to explore measures to curtail excessive overtime expenditures and safeguard the health and safety of staff.	Important	Yes	Deputy Director, DAS	31 Dec 2014	No additional comments to those previously provided.
4	UNON should conduct a comprehensive analysis of overtime costs for all categories of staff entitled to overtime and use the results for exploring measures to curtail excessive overtime.	Important	Yes	OIC-BFMS	31 Dec 2014	No additional comments to those previously provided.

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[1] 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.

[2] 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.