



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of overtime at UNEP

Overall results relating to the economical, effective and efficient use of overtime at UNEP were partially satisfactory. Management has satisfactorily implemented one important recommendation but has yet to initiate action on the other

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

24 October 2012

Assignment No. AA2012/220/03

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AUDIT REPORT

Audit of overtime at UNEP

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of overtime at the United Nations Environment Programme (UNEP).

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. UNEP has the principal responsibility for the environment within the United Nations system as mandated by General Assembly resolution 2997 (XXVII) of 15 December 1972. The UNEP organization structure consists of an Executive Office, seven divisions and eight Secretariats for Conventions. As at 31 December 2011, UNEP had 1,153 staff posts of which 668 (60 per cent) were in the Professional category and 485 (40 per cent) were in the General Service category.

4. Overtime refers to time worked by General Service staff in excess of the scheduled work week, or time worked on UN Official Holidays, provided that such work has been authorized in advance by an appropriate official. From January 2007 to 31 December 2011, UNEP staff members worked a total of 146,048.50 hours of overtime on which UNEP incurred expenditures of \$3.2 million as indicated in Table 1 below.

Table 1: Summary of overtime hours and expenditures for UNEP from 2007 to 2011

Year	Number of overtime cases	Total overtime hours claimed	Average overtime hours for all cases	Total expenditures on overtime including staff assessment
2007	657	24,816.00	37.80	\$359,949
2008	664	25,649.00	38.60	474,529
2009	941	33,440.50	35.50	802,090
2010	836	26,618.50	31.80	703,447
2011	947	35,524.50	37.50	906,555
	4,045	146,048.50	36.11	\$3,246,570

5. Comments provided by UNEP are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

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

7. The audit was conducted following concerns that overtime was being used inappropriately.

8. 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 United Nations Regulations and Rules relating to overtime are adequate and complied with.

9. The key control was assessed for the control objectives shown in Table 2 below.

10. OIOS conducted this audit from March to May 2012. The audit covered the period from 1 January 2007 to 31 December 2011.

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 UNEP governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding the **economical, effective and efficient use of overtime**. OIOS made two important recommendations in the report to address the issues identified in the audit. UNEP supervisors approved overtime before it was undertaken. However, there was a need to strengthen internal controls to verify actual overtime hours worked and to ensure that staff members exceed the 40 hour per month limit for overtime only in exceptional circumstances. UNEP accepted the recommendations and has already completed the implementation of one recommendation; it has yet to initiate action on the other one.

13. The initial overall rating was based on the assessment of key controls presented in Table 2 below. The final overall rating is **partially satisfactory** as action to implement one important recommendation has yet to be taken.

Table 2: 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
Economical, effective and efficient use of overtime	Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Regulatory framework

Need for tools to verify actual overtime hours worked

14. While UNEP had implemented internal controls for recording, reviewing and certifying overtime hours before payment, there were no tools available for verifying actual overtime hours worked in all but one division. Supervisors interviewed explained that in the absence of tools to verify actual hours worked, the confirmation of hours worked by staff was obtained informally from other team members, and was based on trust. In exceptional cases, supervisors were also present during overtime hours; hence, confirmation was possible in those cases.

15. In the absence of tools for verifying actual hours reported by staff members, UNEP was exposed to a risk of paying for overtime hours that were actually not worked. There is a need for UNEP, in collaboration with the United Nations Office at Nairobi (UNON), to explore the feasibility of using an electronic system for recording actual hours worked which could be used to verify overtime hours recorded by staff members.

(1) The Executive Director of UNEP should collaborate with UNON to explore the feasibility of developing a tool for recording and monitoring actual overtime hours worked by staff members.

UNEP accepted recommendation 1 but stated that a recent study by the Joint Inspection Unit on flexible working arrangements within the UN system showed it advocates the return to an honour system, whereby the recording of flexitime is based on trust between the managers and their staff and whereby flexitime is measured against results rather than hours worked. According to the study, clocking systems are labour intensive, subject to inaccuracies and shift the focus from performance and outputs produced to hours worked. In view of these, UNEP stated, while it is ready to collaborate with UNON and other stakeholders to review the various systems (including an honour system) that can be put to monitor actual overtime hours worked, it would be difficult at this stage to already commit to the development and implementation of an electronic system to record and monitor actual overtime hours worked as it would preclude the outcome of such a review. Monitoring flexible working arrangements is about ensuring that a staff member works the number of hours they are being paid to work. Overtime is about initiating a claim for an extra payment. OIOS considers that it is essential that UNEP ensures that all overtime claims are verified. Recommendation 1 remains open pending confirmation that a mechanism has been put in place to verify overtime claims.

Need to monitor compliance with monthly overtime limits

16. In the interest of the health of staff members and the efficiency of service, rules provide that supervisors shall not require a staff member to work more than 40 hours overtime during any month, except where unusual exigencies of the service so require.

17. During the period 2007 to 2011, there were no controls in place to ensure that staff members did not exceed the 40 hour per month limit. There were 1,387 cases where staff members claimed overtime in excess of the 40 hour per month limit. These staff members claimed an average of 68 hours of overtime per month during the period under review. Notably, one staff member was paid for 218 hours and 210.5 hours of overtime for January 2007 and December 2008 respectively, or about seven overtime hours per calendar day. The staff member, who was working in the Secretariat for Governing Bodies Unit of the

Executive Office of UNEP, provided administrative support services for organizing Governing Council meetings which involved communication with embassies in other time zones.

18. Working over and above the monthly limit of 40 hours was practiced across all UNEP divisions. For example, there were 43 cases in which 27 UNEP staff members worked overtime hours in excess of 480 hours in a year during the period under review. In one case, a staff member worked 1,513 hours of overtime in 2011 (or monthly average of 126 hours or about 77 per cent of the normal monthly work hours); while in another case a staff member worked over 900 overtime hours per year or about half of the normal work hours from 2007 to 2011.

19. Supervisors provided several justifications for the excessive overtime including the following: (a) need to cater for peak work load periods such as financial year end activities; (b) lack of staff posts for recruiting additional staff to share work load; and (c) staff members being required to prepare for and support conferences and meetings at the Headquarters in Nairobi as well as in other parts of the world with different time zones. The justifications for overtime provided by supervisors were consistent with those indicated on the individual overtime authorization forms.

20. By working excessive overtime, staff members' health could be compromised due to stress and fatigue. This could lead to low staff productivity and additional overtime. In order to ensure that staff members do not work excessive overtime, there is a need for management to establish a mechanism for monitoring compliance to the 40 hour limit per month and to prepare exception reports for non-compliance. In addition, supervisors should seek authorization from Heads of Divisions for staff members to work overtime beyond the 40 hour per month limit in order to mitigate the health risks of staff working excessive overtime.

(2) The Executive Director of UNEP should require that approval of overtime beyond the monthly limit of 40 hours is granted only by Division Directors and based on sufficient, documented justification.

UNEP accepted recommendation 2 and stated that it had already sent a circular to all senior managers reiterating the need to comply with existing procedures regarding overtime, including the requirement for pre-authorization of overtime by the supervisor and a specific reference that supervisors do not have the authority to authorize overtime beyond 40 hours per month for any staff member. Based on action taken by UNEP, recommendation 2 has been closed.

IV. ACKNOWLEDGEMENT

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



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STATUS OF AUDIT RECOMMENDATIONS

Assignment No. AA2012/220/03 – Audit of overtime at UNEP

Recom. no.	Recommendation	Critical/ ¹ Important ²	C/ ³ O ³	Actions needed to close recommendation	Implementation date ⁴
1.	The Executive Director of UNEP should collaborate with UNON to explore the feasibility of developing a tool for recording and monitoring actual overtime hours worked by staff members.	Important	O	Confirmation that a mechanism has been put in place to verify overtime claims	30 June 2013
2.	The Executive Director of UNEP should require that approval of overtime beyond the monthly limit of 40 hours is granted only by Division Directors and based on sufficient, documented justification.	Important	C	No further action required. On 22 June 2012, UNEP sent a circular on to all senior managers reiterating the need to comply with existing procedures regarding overtime.	Implemented

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.

³ C = closed, O = open

⁴ Date provided by UNEP in response to recommendations.