



## **INTERNAL AUDIT DIVISION**

### **AUDIT REPORT 2013/033**

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#### **Audit of travel activities at UNFCCC**

**Overall results relating to management of travel activities at UNFCCC, including acquisition and provision of travel management services, were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.**

**FINAL OVERALL RATING: PARTIALLY SATISFACTORY**

**27 March 2013**

**Assignment No. AA2012/241/03**

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# AUDIT REPORT

## Audit of travel activities at UNFCCC

### I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of travel activities management services at the United Nations Framework Convention on Climate Change Secretariat (interchangeably referred to as UNFCCC or the Secretariat).

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. Travel was an important component of Secretariat activities which includes conferences, meetings and events, that were organized either by UNFCCC or by other organizations to which Secretariat officials and/or staff members were invited. Travel activities were generally categorized into staff travels and travels relating to participation in the climate change intergovernmental process. Staff travels included travels of staff members, consultants and contractors who were on official business of the Secretariat, and travel of staff and eligible family members in respect of official travel. Travels pertaining to participation in the climate change intergovernmental process involved travel expenditures of eligible funded participants in UNFCCC events or activities such as sessions of the Conference of the Parties.

4. The UNFCCC travel cycle broadly consisted of the following stages: (a) travel request (TR) and travel authorization (TA); (b) travel arrangements including purchase of tickets and payment of advances/DSA; (c) actual travel; (d) submission of claims and supporting documents; (e) settlement of final travel claims and reconciliation with advances. The regulatory framework governing travel activities at UNFCCC was provided under UN staff regulations and rules, specifically ST/SGB/2009/7, ST/AI/2006/4, and ST/AI/1998/3; and UNFCCC administrative guidelines AG/2009/1.

5. The travel management services for the Secretariat were provided by a contracted travel agent, referred to in this report as “Contractor”, under a contract that was procured and signed on 27 May 2010 by the United Nations Volunteers (UNV) for all UN Bonn organizations, including UNFCCC. Travel management services included arrangement of travel plans and preparation of suitable itineraries, and financial and related services such as visa service and travel insurance.

6. An associate travel officer at the P2 level heads the UNFCCC travel team and is assisted by seven general service staff. The travel team is under the supervision of the Procurement and General Services Unit (PGSU).

7. Table 1 provides the travel expenditures of UNFCCC, for the period January 2010 to 30 June 2012.

**Table 1: Travel expenditures for the period January 2010 to June 2012**

Period Covered	Amount (US\$)
January to June 2012	7,419,249
January to December 2011	24,329,765
January to December 2010	20,714,977

8. Comments provided by UNFCCC are incorporated in *italics*.

## II. OBJECTIVE AND SCOPE

9. The audit of travel management services at UNFCCC was conducted to assess the adequacy and effectiveness of UNFCCC governance, risk management and control processes in providing reasonable assurance regarding **efficient and effective management of travel activities at UNFCCC**.

10. OIOS included the assignment in the 2012 internal audit work plan following a request by UNFCCC Management to review controls that were in place to mitigate operational and financial risks in the management of its travel activities.

11. The key controls tested for the audit were: (a) coordinated management mechanisms; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Coordinated management** - controls that provide reasonable assurance that potential overlaps in the management of travel services are mitigated, and that issues affecting or involving other UN partners and actors are identified, discussed and resolved timely and at the appropriate forum to ensure efficient and effective delivery of air travel management services to achieve synergy.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures (i) exist to guide the operation and management of travel activities; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

12. The key controls were assessed for the control objectives shown in Table 2.

13. OIOS conducted this audit from 23 August to 30 November 2012. The audit covered the period from January 2010 to October 2012.

14. 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

15. UNFCCC governance, risk management and control processes examined were assessed as **partially satisfactory** in providing reasonable assurance regarding **the efficient and effective management of travel activities at UNFCCC**. OIOS made three recommendations in the report to address issues identified in the audit. Coordination mechanisms with other offices involved in travel activities were generally satisfactory, including the coordination with UN Bonn Common Services in the procurement and management of the contract on travel management services. Controls on regulatory framework were partially satisfactory because UNFCCC did not (a) adopt standard operating procedures to screen and approve mission travels; (b) ensure that the travel agent offered alternative itineraries and information on fare structures; and (c) put in place adequate controls to ensure timely submissions of travel claims, and to recover long outstanding advances.

16. 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 implementation of three important recommendations remains in progress.

**Table 2: Assessment of key controls**

Business objective(s)	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Efficient and effective management of travel activities	(a) Coordination mechanisms	Satisfactory	Satisfactory	Satisfactory	Satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
<b>FINAL OVERALL RATING: PARTIALLY SATISFACTORY</b>					

### **A. Coordinated management**

Coordination with key players in providing travel arrangements was generally satisfactory

17. UNFCCC had satisfactory coordination mechanisms with the UN Bonn Common Services through an inter-agency working group created for travel management services that served as a forum for better procurement process and contract implementation. The travel team proactively coordinated with the travel focal persons in each programme and the travelers to facilitate travel arrangements for the Secretariat.

### **B. Regulatory framework**

Need for procedures for approving mission travels other than those organized by the Secretariat

18. The Secretariat maintained a centralized travel plan for mission travels other than the meetings and conventions organized by the Secretariat. Mission travels included invitations to UNFCCC staff to attend meetings in different organizations. Although the Executive Direction and Management (EDM) office maintained the travel database, different programme coordinators made the decisions to accept and include missions in the travel plan.

19. However, there were no standard operating procedures for screening mission travels, and thus, programmes adopted different practices. For example, the Sustainable Development Mechanisms (SDM) programme created a committee to review the requests before their approval by the SDM coordinator. In other programmes, the coordinators approved the mission requests directly. The lack of official guidelines to help the UNFCCC staff to make decisions in accepting or declining meeting invitations for inclusion in the travel plan database resulted in accepting or declining invitations based mostly only on the expertise and knowledge of the staff members themselves who attended the meetings, which could result in the risk of higher travel costs due to possible acceptance of unnecessary trips. The Board of

Auditors also pointed out the lack of standard guidelines to regulate UNFCCC staff in making decisions to accept or decline meeting invitations in their audit report for the biennium ending 2011.

**(1) UNFCCC should ensure that standard operating procedures for approving mission travels are adopted.**

*UNFCCC Secretariat accepted recommendation 1 and stated that target implementation date will be third quarter of 2013.* Recommendation 1 remains open pending receipt of a copy of the standard operating procedures for approving mission travels.

Need to ensure that travel agent complies with the contract in providing more suitable itineraries

20. The contract between UN Volunteers and the “Contractor” required that travel management services included arrangements of travel plans and preparation of suitable itineraries (including alternative routings, departures and arrivals). However, the “Contractor” proposed only one itinerary for official travel and did not provide upfront the quotations for alternative routings, departures and arrivals. Other available fare structures that could have provided greater savings for the Secretariat and the traveler, such as less or more restrictive fares, were also not provided by the travel agent. Only when a traveler had plans to combine official travel with personal travel that the “Contractor” provided another itinerary, classified as a personal request itinerary.

21. In the absence of alternative suitable itineraries and information on fare structures in the proposals provided by the “Contractor”, there was no basis to support that the proposed itinerary was the most economical. In addition, if the travel agent provided alternative itineraries and fare structures upfront, the UNFCCC management could have considered other factors in deciding for the best option for a specific travel plan. For example, in cases of a definite travel plan where travel time was not likely to change, the travel team and traveler could have chosen a more restrictive fare structure. Another example was in cases where a proposed itinerary could have been the cheapest, but was not the most direct route, resulting in longer travel time. By providing suitable alternative itineraries, including information on fare structures, the travel team and the traveler could have decided on the best option for a given travel plan and destination to achieve greater savings.

**(2) UNFCCC should ensure that the travel agent offers alternative suitable itineraries and information on fare structures as required in the contract, to achieve greater savings.**

*UNFCCC Secretariat accepted recommendation 2 and stated that target implementation was set for third quarter of 2013.* Recommendation 2 remains open pending receipt of evidence that travel agent is complying with the contract in providing more suitable itineraries and information on fare structures to UNFCCC.

Need to ensure timely submission of travel claims

22. Staff members were required to submit completed travel claims within two weeks after completion of travel. For mission travels, staff members were also required to submit mission reports together with the travel claim. Recovery of travel advances through payroll deduction was initiated if a staff member failed to submit a duly completed travel reimbursement claim within three months after completion of the official travel. However, travel missions reports and travel reimbursement claims were not submitted on time. Moreover, on average, only 49 per cent of travel claims of staff members, consultants and interviewed candidates during the period January 2010 to June 2012, were submitted within 30 days. Settlement of travel advances of participants, consultants and travellers other than staff members was delayed as shown in Table 3:

**Table 3: Travel Advances Settled by non-staff members as of 5 October 2012**

<b>Percentage</b>	<b>Recovery/settlement period from issuance of travel advances</b>
16%	Within 30 days
58%	31 to 90 days
26%	91 days to 1,031 days

23. As of 5 October 2012, the Secretariat had 335 outstanding travel advances, amounting to US \$654,018, which had remained unsettled or unrecovered for 30 to 196 days past the due dates.

**(3) UNFCCC should put in place adequate controls to ensure submission of travel claims within two weeks after completion of the travel, and initiate recovery procedures for those advances outstanding for more than three months.**

*UNFCCC Secretariat accepted recommendation 3 and stated that UNFCCC believes that adequate controls and recovery mechanisms (established by UNOG) are in place for staff mission travel claims. With respect to non-staff [participant] travel, UNFCCC will develop an action plan for reducing the current level of outstanding travel claims. Recommendation 3 remains open pending receipt of evidence that an action plan to reduce current level of outstanding travel claims is implemented.*

#### **IV. ACKNOWLEDGEMENT**

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



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David Kanja, Assistant Secretary-General  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of travel activities at UNFCCC

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	UNFCCC should ensure that standard operating procedures in screening and approving mission travels are adopted.	Important	O	Submission of a copy of the standard operating procedures.	Q3 2013
2	UNFCCC should ensure that the travel agent offers alternative suitable itineraries and information on fare structures as required in the contract, to achieve greater savings.	Important	O	Submission of evidence that travel agent is complying with the contract in providing more suitable itineraries and information on fare structures to UNFCCC.	Q3 2013
3	UNFCCC should put in place adequate controls to ensure submission of travel claims within two weeks after completion of the travel, and initiate recovery procedures for those advances outstanding for more than three months.	Important	O	Submission of evidence that an action plan to reduce current level of outstanding travel claims is implemented.	Q3 2013

1 Critical recommendations address significant and/or pervasive deficiency or weakness 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 UNFCCC in response to recommendations.