UNESCO

United Nations
Educational, Scientific and
Cultural Organization

Organisation
des Nations Unies
pour l'éducation,
la science et la culture

Organización
de las Naciones Unidas
para la Educación,
la Ciencia y la Cultura

Организация
Объединенных Наций по
вопросам образования,
науки и культуры

منظمة الأمم المتحدة
للتربية والعلم والثقافة

联合国教育、
科学及文化组织

Performance Audit of Official Travel

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EXECUTIVE SUMMARY

Key Audit Results

IOS conducted a performance audit[1] of UNESCO's official global travel covering mission and statutory travel undertaken in 2015 - 2016. Travel expenditures amounted to $ 21.6 M during the period. Efficiency measures introduced following the financial crisis have resulted in 37% reduction of travel expenses in 2016 when compared to 2011. If a number of good industry practices are followed, further biennial savings of up to $ 4[2] M (18.5%) can be achieved through timely purchase of tickets, aligning the basis of lumpsum payments for statutory travel with the UN Secretariat, implementing a self-booking tool and optimizing administrative processes.

The above savings could be further augmented by assigning travel management responsibilities to a staff with extensive experience in the travel industry for cost effectively procuring travel services through global sourcing arrangements and joint procurement with other UN or international organizations at UNESCO Headquarters and Field Offices. As a first line of defense function, these responsibilities should also include monitoring and assessing compliance with UNESCO's travel policy.

UNESCO needs to reinstate a strong second level of defense to ensure better monitoring and reporting on adherence with the travel rules and policy. This implies clear ownership under a single authority of the travel process, both in terms of management and policy. Accordingly, in line with UN practices, MSS should assume travel related responsibilities including those under BFM.

Finally, temporary cost reduction measures in effect since 2012 need to be revisited in light of their intended impact. BFM should address current gaps in travel related administrative guidance before handover of the travel policy to MSS.

Background

1.   Official travel is carried out by staff members as well as "non-staff travelers" i.e. people employed under other contractual arrangements, such as consultants, service contract holders, special service agreement holders, fee contractors, as well as participants attending meetings and conferences.

2.   Official travel covers the following two categories:

- **Mission Travel:** Undertaken by staff and non-staff members at the total or partial expense of the Organization (or exceptionally when fully subsidized by third party), directly related to programme/projects planning and implementation. This travel is duly authorized in approved travel plans and budgeted in work plans.
- **Statutory travel:** Undertaken in application of entitlements under Staff Rules. It includes travel on appointment, transfer, separation, medical reasons, home leave, family visit, education, and rest & recuperation.

3.   Chapter 15 of Administrative Manual deals with official travel on mission. In addition, in 2011 and 2012, two Ivory Notes namely (DG/Note/11/25) and (DG/Note/12/11REV) were issued to elaborate efficiency measures to manage travel costs and travel related green-house gas emissions. Further, HR Manual Chapters 6 and 8 cover statutory travel and Staff Rule 107 defines staff travel entitlements.

4.   Responsibility for travel is shared between several business units. While BFM oversees the policy on mission travel, HRM administers the policy on statutory travel and MSS manages the contract with the travel agency at Headquarters. Travelers plan missions in DUO and expend related budgets in FABS.

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[1] Performance auditing: A systematic, disciplined approach to evaluating controls for adding significant value and helping an organisation meet its goals and objectives. (Source: IIA Australia)
[2] $1.6 M timely purchases of tickets, $1.1 M changing the basis of lumpsum calculation, 1 M in staff time by streamlining the administrative travel processes, use of $27 K Self Booking tool and adherence to travel policy 278 K.

5.   UNESCO's annual travel expenditure including DSA and related expenditures dropped from $ 16.7 M in 2011 to $ 10.5 M in 2016 as shown in Figure 1 below.[3]

Figure 1 – Travel expenditures by source of funding ($)
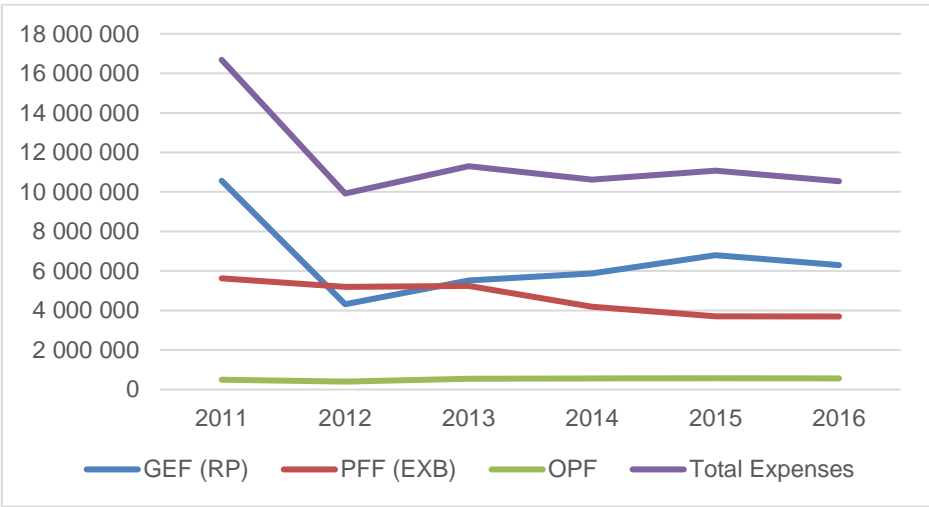
6.   Figure 2 below indicates that given the reduced travel budgets, the number of missions dropped in 2012 but have gradually increased and exceeded the 2011 figures in 2016, indicating lower average ticket prices.

Figure 2 – UNESCO Travel trend 2011 – 2016 (Number of trips)
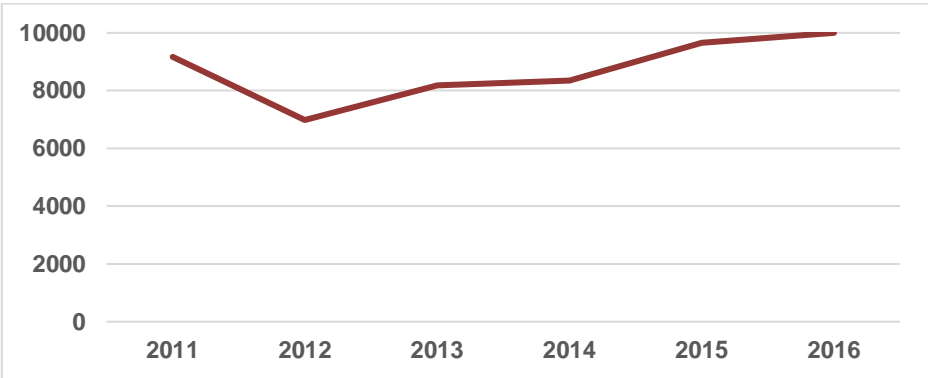
Audit objective, scope and methodology

7.   IOS audited UNESCO's official travel with a view to assess its efficiency, effectiveness and economy, as well as its compliance with existing policies and procedures. The audit was undertaken in accordance with the *International Standards for the Professional Practice of Internal Auditing* and covered activities undertaken during the period 2015 and 2016. The audit methodology included:

- Review of travel planning and expenditure data in DUO and FABS,
- Review of past IOS, External Auditor and Joint Inspection Unit audit findings and recommendation status,
- Benchmarking of travel practices in international organizations (including planning of travel, ticket purchases, agency fees and online purchases),
- Sampling of travel data to verify compliance with travel policy (travel class, mode of travel, payment of DSA, lump sum etc.,),
- Review of economic practices applied in areas such as no cost travel, alternative modes of travel, planning of missions etc.,

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[3] Data source: BFM Trial Balance extract 2011-2016, including mission and statutory travel

- Workflow analysis of the travel process. Costing the potential savings using IOS and BFM estimates,
- Mission travels undertaken by non-staff were not covered during the review,
- Review of travel management practices in other UN organizations and the OECD.

Achievements

8.   UNESCO follows a number of good travel practices. For example:
- Efficiency measures introduced following the financial crisis have resulted in 37% reduction of travel expenses from $16.7 M in 2011 to $10.5 M in 2016,
- Periodic travel plans are prepared in Field Offices and Sectors,
- Field offices procure travel services using local UN bulk purchasing agreements and source lowest cost tickets from more than one travel agent,
- Mission reports are shared within programme sectors and field offices (e.g., through newsletters, on DUO, intranet portals of field offices and sectors),
- Disbursement of daily subsistence allowances (DSA) and lumpsum to staff for entitlements such as home leave are in line with the policy,
- Purchase of business class tickets is in line with UNESCO policy,
- Some Field Office Directors and Administrative Officers regularly remind staff to plan and purchase tickets in advance.

Opportunities

9.   Despite the good practices noted above, opportunities to improve travel management exist:

Travel planning

- Travel planning practices are not consistent across Sectors and Field Units and travel plans continue to be poorly communicated across UNESCO.
- While the travel policy requires travelers to purchase tickets two weeks prior to departure date, two-third (66%) of flight tickets were not were purchased within the required timeframe, thereby being more expensive. IOS estimates additional economies of $1.6 M per biennium through early purchase of tickets.

Travel policy and controls

- In absence of regular monitoring of travel expenses and policy compliance checks, cases of non-compliance are not systematically detected. According to the HQ travel agency, UNESCO lost approximately $ 278,795 due to poor compliance with travel policy during 2016,
- Recoveries from travelers for significant additional costs arising from refusal of proposed airline, class, low cost, personal membership card preferences and choice of airport are not undertaken,
- The travel policy does not define a threshold for reasonable absence from duty station. Prolonged absences of some managers raise questions on their capacity to perform managerial duties, in particular larger offices without a deputy function,
- The travel policies are reflected in several documents; this in part has led to inconsistencies and lack of clarity in some areas e.g., the mode of transportation that travelers should choose i.e., most direct and economical mode of transportation,
- The travel guidance is unclear on allowances for no-cost missions i.e., travelers undertaking missions paid by meeting organizers other than UNESCO,
- UNDSS security rules and guidelines with regard to clearances and training are not strictly complied with,
- The travel process workflow can be further streamlined by eliminating duplicative controls. An estimated $ 1 M in staff time can be saved,
- The use of IATA fare as a basis for the calculation of lumpsum for home leave travel is not cost effective, as it is not a scheduled 'air carrier fare[4]. An estimated $ 1.1 M can be saved by changing the basis of calculation and aligning with the UN practices.

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[4] Air ticket fare of an airline or other carrier that operates according to a regular and published timetable.

Travel management tools

- A number of deficiencies in the travel management tools need remediation. For example, travel data on final destinations in multi-stopover trips should be included in the DUO travel platform for better reporting and monitoring.

10. Travel management responsibilities including policy and procurement are divided across BFM, MSS and HRM. Dispersed responsibilities weaken the second line of defense, thereby impair monitoring compliance with the travel policy. Further, the absence of a dedicated travel management focal point weakens the Organization's capacity to pursue cost effective travel means and train staff on how to plan and undertake efficient travel.

11. Additional savings can made by adopting best practices such as use of Self-Booking Tool, corporate travel credit payment cards e.g., AirPlus, and preferential rates as part of the Common Procurement Activities Group (CPAG) in Geneva. Annex 1 of the report contains a list of relevant best practices that can be applied to improve travel efficiencies and effectiveness.

The recommendations below, if implemented, could lead up to $ 4 million in biennial savings to the organization.

Table of Recommendations

Recommendation 1: BFM to revise AM item 15.2 in order to require ADGs and Directors of Field Offices to plan and monitor travel on a quarterly basis using the DUO travel management tool. The travel plans should be established in line with approved work plans and consider UNESCO's field presence.

Recommendation 2: BFM to (i) revise AM item 15.2 section 5. on the purchase of tickets to replace "booked" with "purchased" so that it reads as: "All tickets must be **purchased** at least 2 weeks (14 calendar days) prior to the departure date.", (ii) ensure that prior to certifying a travel request, AOs request travelers to seek derogations from approving managers for late ticket purchases and maintain a list of these purchases as part of periodic monitoring.

Recommendation 3: In line with UN practices, MSS to assume travel related responsibilities under a single management authority for strengthening the second line of defense. This includes (i) ownership and management of the travel policy application and (ii) employing a travel manager.

Recommendation 4: MSS to assign travel management responsibilities to an experienced travel expert to:
- ensure cost effective procurement of travel at UNESCO Headquarters and Field offices,
- maximize opportunities for joining the agreements of other agencies with airlines (e.g. Geneva travel network) and rail networks (e.g. with OECD on SNCF, Eurostar) so as to increase value-for-money on travel arrangements,
- monitor compliance with travel policies and procedures,
- update the vade mecum on travel and suggest modifications to the travel policy when required,
- advise/train AOs and UNESCO travelers on optimum travel practices and opportunities to use special offers such as lounge access by certain airlines, ability to rebook etc.

Recommendation 5: HRM to initiate a revision of the Staff Rule 107.4 to specify that:
(i) taking into account the lowest logical fare and itinerary, the most economical route and mode of transportation shall be prescribed. Most direct route may be authorized if the increment in the ticket cost does not exceed 25%,
(ii) including in the HR Manual the requirement to use DUO for statutory travel.

Recommendation 6: BFM to update the Administrative Manual by (i) incorporating relevant travel guidance contained in the DG notes (11/25) and (12/11 Rev) and seeking the closure of temporary measures contained therein, (ii) clarifying the definition of a "no-cost mission" and including guidance on the allowances provided to staff going for such missions, (iii) based on PMC recommendation providing guidance on the use of the corporate miles accumulated in the various fidelity contracts between UNESCO and airlines, (iv) with HRM taking the lead:

(i) in coordination with ODG/GE, introducing travel related gender friendly measures for nursing mothers and single parents,

(ii) defining a 30 percent of working days threshold for reasonable absence from the duty station beyond which the traveler will require senior management clearance to continue traveling and establishing regular reporting of staff absence from the duty station beyond the threshold.

Recommendation 7:   ERI/SEC to revise AM item 15.2 section 5 on security measures to replace FLIGHTSAFE with ICAO rating system for guidance on the safety ranking of commercial airlines.

Recommendation 8:   MSS to periodically review and provide HQ AOs with HQ travel agency data on additional costs arising from traveler refusals.

Recommendation 9:   BFM to recover unjustified refusals arising from HQ travelers' personal routing changes and flight choices. Also, similar exercise should be also performed on refusals for field related missions.

Recommendation 10:   ERI/SEC to (i) facilitate AOs' access to the database of UNESCO's personnel security training certificates, (ii) remind all AOs to certify travel requests only if travelers provide proof that UNDSS Security Clearance has been granted.

Recommendation 11:   BFM to align the travel policy with the UN Secretariat in particular regarding: use of business class; putting most economic ticket as primary criteria for routing choice etc.

Recommendation 12:   BFM to review the current travel process workflow and optimize the approval and closure steps by reducing the number of approvals for travel requests and introducing the electronic signature for the travel order and mission report.

Recommendation 13:   MSS to review the current Business Travel Account with AMEX for competitiveness and extends it to Field Offices to leverage on volume and negotiate better payment terms.

Recommendation 14:   HRM to:
(i)   retain the lumpsum option for statutory travel and change the basis of calculation from 50% of the IATA full fare to 70% of the least restrictive economy class fare,
(ii) inform staff members taking home leave on the lumpsum amounts and let them decide, at that point, which option they opt for and sign a waiver that they will not request for a change from the lumpsum to direct ticket purchase.

Recommendation 15:   KMI as part of the ongoing technical upgrade of the DUO travel management tool to include functionalities to (i) record the final destination and all stop-overs of the travels, (ii) permit AOs to correct financial data errors in travel claims, (iii) introduce a control in DUO tool to require attachment of a derogation for travel requests created less than 14 days prior to departure day. Further, KMI to assess the technical feasibility and costs for incorporating a Self-Booking Tool in the travel management workflow.

Recommendation 16:   BFM to remind AOs of their certifying responsibilities including (i) ensuring that travel expenditures are funded by related approved budgets. (ii) verifying the accuracy of information entered by travelers in DUO e.g. class of travel, type of mission, expenditure amounts, currencies, type of mission, (iii) ensuring that travel claims have been submitted before closing the trips in FABS.