



## INTERNAL AUDIT DIVISION

# AUDIT REPORT

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## Partnership/cooperation agreements in UN-HABITAT

UN-HABITAT needs to improve its internal controls over the selection, monitoring and implementation of cooperation agreements with other entities

31 December 2010

Assignment No. AA2010/250/03

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR


OFFICE OF INTERNAL OVERSIGHT SERVICES · BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION · DIVISION DE L'AUDIT INTERNE

TO: Mr. Joan Clos, Executive Director  
A: United Nations Human Settlements Programme

DATE: 31 December 2010

REFERENCE: IAD: 10- 01163

FROM: Fatoumata Ndiaye, Director  
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AA2010/250/03 – Audit of partnership/cooperation agreements in UN-**  
OBJET: **HABITAT**

1. I am pleased to present the report on the above-mentioned audit.
2. In order for us to close the recommendations, we request that you provide us with information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 2, 8, 10 and 21), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Inga Bjork-Klevby, Deputy Executive Director, UN-HABITAT  
Mr. Antoine King, Audit Focal Point, UN-HABITAT  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
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Ms. Amy Wong, Programme Officer, Internal Audit Division, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

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## EXECUTIVE SUMMARY

### Audit of partnership/cooperation agreements in UN-HABITAT

The Office of Internal Oversight Services (OIOS) conducted an audit of partnership/cooperation agreements in the United Nations Human Settlements Programme (UN-HABITAT). The overall objective of the audit was to assess the adequacy and effectiveness of the policies and procedures in place for entering into and managing cooperation agreements, and to assess the adequacy of the legal arrangements to safeguard the interests of the Organization. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Partnership/cooperation agreements are essential for the successful implementation and achievement of UN-HABITAT's mandate. UN-HABITAT has put in place some guidelines for entering into and managing partnership/cooperation agreements, but still needs to strengthen the controls pertaining to the selection, monitoring and implementation of the same. Areas for improvement include:

- The need to expedite the finalization and implementation of the two partnership strategy documents;
- The expansion of the guideline for identification and selection of implementing partners;
- The implementation of a system to account for and monitor equipment procured under cooperation agreements using UN-HABITAT funds;
- Compliance with reporting requirements by ensuring that no instalment payments are released prior to the satisfactory review by UN-HABITAT of the financial and implementation progress reports;
- Compliance with United Nations Financial Rule 105.9 on obligating documents and procedures for obligating funds; and
- The development and implementation of a centralized cooperation agreement database.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of partnership/cooperation agreements in the United Nations Human Settlements Programme (UN-HABITAT). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. The General Assembly resolution 60/215 recognized the importance of cooperation between the United Nations, the private sector, non-governmental organizations (NGOs) and civil society in the realization of the Millennium Development Goals. In light of this, partnerships were established by the various United Nations agencies, non-public partners and member states at the field level. The resolution defines partnerships as “voluntary and collaborative relationships between various parties, both public and non public, in which all participants agree to work together to achieve a common purpose or undertake a specific task and, as mutually agreed, to share risks and responsibilities, resources and benefits.” The resolution further stresses that “partnerships should be consistent with national laws and national development strategies and plans, as well as the priorities of countries where their implementation takes place bearing in mind the relevant guidance provided by governments.” It also calls upon the United Nations to ensure the integrity and independence of the Organization when entering into partnerships.

3. Within the United Nations, UN-HABITAT is the lead agency for coordinating and monitoring the progress of the implementation of the Habitat Agenda and is also assigned the responsibility to report on the significant improvement of the lives of slum dwellers. The two main goals of the Habitat Agenda are adequate shelter for all and sustainable human settlements development in an urbanizing world. UN-HABITAT also contributes to the monitoring of the Johannesburg Declaration on Sustainable Development by including water and sanitation among its mandated responsibilities.

4. UN-HABITAT has worked with a broad range of cooperating entities since its inception in 1977. According to the records kept by the Legal Office, 1,122 cooperation agreements and other legal instruments have been entered into with various cooperating entities since 2007, which include NGOs, private sector entities and governmental organizations. With the adoption of the Habitat Agenda in 1996 there has been a substantial increase in UN-HABITAT’s collaboration with its partners. UN-HABITAT has five divisions: (i) Programme Support; (ii) Human Settlements Financing; (iii) Regional and Technical Cooperation; (iv) Monitoring and Research; and (v) Shelter and Sustainable Human Settlements Development. All these divisions, except for the Programme Support Division, enter into partnership/cooperation agreements at various levels. However, the Water, Sanitation and Infrastructure Branch within the Housing Settlements Financing Division accounts for about 80 per cent of the partnership/cooperation agreements.

5. Comments made by UN-HABITAT are shown in *italics*.

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## II. AUDIT OBJECTIVES

6. The main objectives of the audit were to assess:
  - (a) The adequacy and effectiveness of the policies and procedures in place for entering into and managing cooperation agreements; and
  - (b) The adequacy of the legal arrangement to safeguard the interests of the Organization.

## III. AUDIT SCOPE AND METHODOLOGY

7. The audit, which audit was conducted from 15 April 2010 to 16 August 2010, focused on the selection, implementation, monitoring, and legal arrangements aspects of partnership/cooperation agreements. It covered the period from January 2008 to April 2010, and involved review of the relevant guidelines and processes, interviews with UN-HABITAT staff, reviews of implementing instruments and other relevant documentation, and visits to selected project sites. The audit reviewed 25 cooperation agreements signed with the private sector and NGOs, valued at \$8,290,628.

## IV. AUDIT FINDINGS AND RECOMMENDATIONS

### A. Regulatory framework

#### Lack of a documented partnership policy and strategy

8. UN-HABITAT has been working with cooperating entities since its inception in 1977 and has experienced a significant increase in its work with cooperating entities over the years. However, to date, UN-HABITAT does not have a documented partnership policy and strategy governing its partnership/cooperation agreements. Moreover, UN-HABITAT's practice in dealing with cooperating entities does not fully conform to any of the definitions of what constitutes a partnership/cooperation agreement as defined by the United Nations. There is also no policy in place for the identification of UN-HABITAT's strategic focus concerning partnerships, the related criteria and guidelines, and review mechanisms for the experience gained and lessons learned. Further, UN-HABITAT has not defined the categories of partners and there is no policy on contributions by partners as well as instalment payments. However, with regard to the selection of partners and the types of legal instruments, in August 2008, UN-HABITAT developed guidelines and standard templates to guide its staff.

9. Currently, UN-HABITAT enters into partnership/cooperation agreements that sometimes do not meet the definition of partnership in General Assembly resolution 60/215, which states that a partnership is a "voluntary and collaborative relationship between various parties, both public and non public, in

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which all participants agree to work together to achieve a common purpose or undertake a specific task and, as mutually agreed, to share risks and responsibilities, resources and benefits.” In two of the 25 cooperation agreements reviewed, UN-HABITAT had contracted for services under cooperation agreements. In both cases, the cooperation agreements were not partnerships as defined in General Assembly resolution 60/215. Under these two cooperation agreements (GC/07/020 and GC/10/085), UN-HABITAT provided funding to the cooperating entities for the construction of a fence around some properties.

10. While it is acknowledged that UN-HABITAT is currently in the process of drafting two partnership strategy documents, namely a Medium-Term Strategic and Institutional Plan’s Partnership Strategy dated 8 January 2009 and a UN-HABITAT Partnership Strategy dated 9 December 2009, the finalization of these documents is overdue.

11. Without UN-HABITAT adopting, tailoring and implementing the current definition and general guidance provided by the General Assembly on what constitutes a partnership, there is a risk that procurement procedures may be circumvented. This may result in UN-HABITAT not getting value for money for services rendered. The lack of documented policies may also result in the Organization not effectively and efficiently maximizing the use of the partnerships in achieving its mandate. This has also resulted in a variety of control deficiencies that have been detailed later in this report.

### **Recommendations 1 and 2**

#### **The UN-HABITAT Executive Director should:**

**(1) Expedite the finalization and implementation of the two partnership strategy documents; and**

**(2) Ensure that the two partnership strategy documents include: (a) a definition of the Organization’s partnership vision, strategic focus, goals and objectives; (b) the categories of partners; (c) policy on contributions by partners; and (d) policy on instalment payments.**

12. *The UN-HABITAT Executive Director accepted recommendation 1 and stated that it would be implemented by January 2012. Recommendation 1 remains open pending receipt of evidence that the partnership policy and strategy has been finalized and implemented.*

13. *The UN-HABITAT Executive Director accepted recommendation 2 and stated that it would be implemented by January 2012. Recommendation 2 remains open pending receipt of the partnership policy and strategy that includes: (a) definition of the Organization’s partnership vision, strategic focus, goals and objectives; (b) the categories of partners; (c) policy on contributions by partners; and (d) policy on instalment payments.*



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Lack of systems and procedures for measuring and monitoring contributions by cooperating entities

14. UN-HABITAT does not have systems in place for measuring contributions by cooperating entities. While UN-HABITAT does not have a policy on contributions, the cooperation agreements entered into between UN-HABITAT and cooperating entities indicate the contributions expected from both partners. In two of the cooperation agreements reviewed, the in-kind contribution was vaguely referred to in the cooperation agreement. Furthermore, as part of their periodic reporting requirements, all of the 25 cooperating entities sampled for review only reported on cash contributions made by UN-HABITAT but did not report on their own contribution to the projects.

15. According to programme officers, if the objectives, deliverables and expected outputs as defined during the formulation of the project are achieved, the contribution by the cooperating entities, whether in kind or in cash, is presumed to have been injected into the project. During a site visit to one of the cooperating entities under cooperation agreement GC/07/020, OIOS noted that the cooperating entities had only budgeted 45 per cent of the expected contribution. Further, the actual contribution by the partner, if any, could not be identified in the books.

16. The lack of systems for measuring contributions by cooperating entities may result in the objectives of the cooperation agreement not being fully achieved due to shortfalls in contribution by the partners. Also, in the event that the cooperating entity makes savings in the implementation of the project, UN-HABITAT may not be aware of the savings made and therefore will not recoup its portion of the savings.

**Recommendation 3**

**(3) The UN-HABITAT Executive Director should introduce systems and procedures for measuring, monitoring and reporting on both in-kind and cash contributions by cooperating entities.**

17. *The UN-HABITAT Executive Director accepted recommendation 3 and stated that it would be implemented by January 2012. Recommendation 3 remains open pending receipt of evidence that systems and procedures for measuring, monitoring and reporting on both in-kind and cash contributions by the cooperating entities-have been established.*

B. Legal instruments

18. UN-HABITAT uses three types of legal instruments: Letter of Agreement, Cooperation Agreement, and Memorandum of Understanding (MOU). Each of these instruments is used under specific circumstances. However, the cooperation agreement is used in almost 90 per cent of the cases.

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Non-compliance with the requirement of a legal review prior to signing cooperation agreements

19. The requirement that the UN-HABITAT Legal Officer should review all cooperation agreements before signature is not always complied with. About 25 per cent of the agreements sampled had not been reviewed by the Legal Office before being signed. In particular, none of the agreements below \$300,000 originating from the Regional Office for Asia and the Pacific (ROAP) had been sent to the Legal Office for review. This was attributed to misinterpretation of a clause in the cooperation agreement template which required the offices to consult the Programme Support Division (PSD) on any contracts above \$300,000 with regard to audit requirements. Nevertheless, the delegation of authority for the Director, ROAP, had a provision that all cooperation agreements should be cleared with the Legal Officer of UN-HABITAT before signature. Non-compliance with the requirement for legal review prior to signing cooperation agreements exposes the Organization to legal and financial risks.

**Recommendation 4**

**(4) The UN-HABITAT Executive Director should remind and ensure that the Director of Regional Office for Asia and the Pacific complies with the requirement to clear with the UN-HABITAT Legal Officer cooperation agreements before signing them.**

20. *The UN-HABITAT Executive Director accepted recommendation 4 and stated that it would be implemented by January 2012.* Recommendation 4 remains open pending receipt of evidence that measures have been taken to ensure that the Director of ROAP complies with the requirement to clear all cooperation agreements with the UN-HABITAT Legal Officer before signing them.

Unauthorized use of the United Nations and UN-HABITAT name and emblem

21. During a site visit to a cooperating entity and following a review of project implementation reports, two of the projects operating under cooperation agreements GC/09/117 and GC/07/020 were displaying the UN-HABITAT and the United Nations emblem without prior written approval from UN-HABITAT. This is in contravention of the general terms and conditions to the cooperation agreements which state that “the cooperating entity/contractor shall not advertise or otherwise make public the fact that it is a Cooperating Entity/Contractor with UN-HABITAT, nor shall the Cooperating Entity/Contractor, in any manner whatsoever use the name, emblem or official seal of UN-HABITAT or the United Nations, or any abbreviation of the name UN-HABITAT in connection with its business or otherwise”. Further, under the Guidelines on Cooperation between the United Nations and the Business Sector issued in November 2009, the use of the United Nations emblem may be exceptionally authorized on a case by case basis and with the prior written approval of the Legal Office.

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22. Without adequate safeguards on the use of the United Nations and the UN-HABITAT name and emblem, UN-HABITAT is exposed to reputation risk.

#### **Recommendation 5**

**(5) The UN-HABITAT Executive Director should put in place control mechanisms to ensure that the cooperating entities that use the United Nations and/or UN-HABITAT name and emblem obtain prior written approval.**

23. *The UN-HABITAT Executive Director accepted recommendation 5 and stated that it would be implemented by January 2012.* Recommendation 5 remains open pending receipt of evidence that UN-HABITAT has implemented control measures that ensure that prior written approval to use the United Nations and/or the UN-HABITAT name and emblem is obtained by cooperating entities.

#### Lack of control mechanism to prevent duplication of cooperation agreements

24. There are no control mechanisms in place to prevent or detect duplication of cooperation agreements. Two amendments to cooperation agreement GC/09/020/1 for \$112,067, dated 26 March 2008 and 5 February 2008, were drawn up for the same transaction. Neither of the amendments was recalled from the partner. The current system of numbering cooperation agreements is not a reliable system for identifying and/or detecting duplicated cooperation agreements. As a result, this duplication was not detected by UN-HABITAT. Also, at the time of the audit, UN-HABITAT was not aware that two cooperation agreements had been signed for the same amendment. Although payments were made against the two cooperation agreements, the payments made for the entire project did not exceed the total agreement amount, as a compensating error in obligating a subsequent amendment corrected the initial duplication. Further, no claims above the project amount had been made by the cooperating entity at the time of the audit.

25. There is a risk that a claim against the duplicated cooperation agreement may be made by the cooperating entity, which may expose the Organization to financial loss or liability.

#### **Recommendation 6**

**(6) The UN-HABITAT Executive Director should introduce a centralized sequential pre-numbering system when issuing cooperation agreements.**

26. *The UN-HABITAT Executive Director accepted recommendation 6 and stated that UN-HABITAT would strengthen its numbering system, but this was an isolated case which did not lead to any financial loss.* Recommendation 6 remains open pending the introduction by UN-HABITAT of a strengthened numbering system for cooperation agreements.

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Cooperation agreements were executed prior to availability of funds

27. Two out of a sample of 25 projects reviewed by OIOS had commenced prior to the funding being secured. In one case, UN-HABITAT did not comply with the Common Fund for Commodities (CFC) Project Agreement Number CFC/FIGB/13. Under this project funding agreement, an agreement between the Donor (CFC), UN-HABITAT and the Intergovernmental Group on Bananas represented by the Food and Agricultural Organization of the United Nations, was signed to promote banana-based beverages in Uganda and Tanzania. The agreement was for \$1,750,000 in grants and \$2,000,000 in loans. In terms of schedule 4 (2) of the project funding agreement, the initial drawdown was to be made after UN-HABITAT had entered into written contractual agreements with the participating Ministries, the collaborating institutions and the participating companies. In this instance, UN-HABITAT disbursed funds totaling \$146,985 under a cooperation agreement number GC/08/080 – Jakana Limited based in Uganda, before the contractual agreements had been entered into with the collaborating institution. Subsequently the collaborating institutions did not sign the contractual agreements as they sighted the project as not viable, but UN-HABITAT entered into an agreement with Jakana Limited for the full amount of the project (\$711,908) on 1 August 2008.

28. Although UN-HABITAT had received \$400,000 from the donor, the conditions precedent to the disbursement of the funds had not been met. According to the substantive officer, UN-HABITAT was confident that the collaborating institutions would sign the contractual agreements. UN-HABITAT is now in the process of negotiating with CFC the possibility of them disbursing the funds as grants to the participating companies.

29. As a result of UN-HABITAT not being able to secure a collaborating institution, in terms of the agreement, CFC cannot provide the balance of the grant portion as per the agreement. Since the loan portion is also not available, it is not certain whether the objective of the partnership arrangement with the participating company will be achieved.

30. In another case, under cooperation agreement GC/10/085 for \$44,889, a project was implemented by the partner and completed in December 2009. The total funds were obligated in February 2010 but the cooperation agreement was only entered into in April 2010 after the completion of the project. According to the substantive officer, this was due to the fact that UN-HABITAT did not have funds for the project. Even though the project had been completed, the cooperation agreement was entered into for a period of one year ending April 2011.

31. Entering into agreements and/or commencing projects with cooperating entities before securing the funding exposes UN-HABITAT to possible financial liability.

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## Recommendation 7

**(7) The UN-HABITAT Executive Director should put in place control mechanisms to ensure that cooperation agreements are signed with cooperating entities only when project funds are available.**

32. *The UN-HABITAT Executive Director accepted recommendation 7 and stated that it would be implemented by January 2012. Recommendation 7 remains open pending receipt of evidence of the establishment of control mechanisms to ensure that cooperation agreements are signed with cooperating entities only when project funds are available.*

### C. Identification and selection of cooperating partners

#### Non-compliance with the guidelines for identification and selection of cooperating entities

33. UN-HABITAT has guidelines, “Selection of Operating Partners for Cooperation Agreements”, for the selection and identification of cooperating entities. These guidelines address key issues such as selection criteria (competition, common objective, capacity building, experience and presence in the field, etc). They also contain requirements to maintain written records of discussions and decisions regarding the selection of partners and to maintain a roster of cooperating partners. However, UN-HABITAT did not comply with the guidelines in the following cases:

- For two out of 25 cooperating entities selected for review, the copies of documentation required were not certified for authenticity; hence these copies may not reflect the legitimacy of the documents;
- For cooperating entities from the private sector, there was no evidence of due diligence checks on any of the four cooperating entities selected for review. Hence, the Global Compact initiative of the UN Secretary-General had not been adhered to;
- Of the 25 cooperating entities selected for review, 15 were sole sourced while for six others, consideration was based on the least number of partners (three). Also, the basis for selecting the three potential cooperating entities for consideration was not justified in writing;
- Contrary to the selection guidelines which require that cooperating entities be selected from the UN-HABITAT’s Youth and Partners Branch roster, none of the 25 cooperating entities reviewed had been selected from it;
- There is no evidence that the common objective criteria such as capacity building possibilities, experience in the relevant area, presence in the field, ability to impact on the targeted population and on issues, etc. which are set up in the guidelines, were considered; and

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- In 15 out of 25 agreements reviewed, there was no evidence of the discussions carried out with cooperating entities during the selection process.

34. Non-compliance with guidelines was due to the fact that they are very broad and open to different interpretations. For instance, with reference to the “selection of partners on a comparative basis”, the guidelines state that ‘divisions may wish to establish committees or any other manner at their discretion to conduct a proper selection process.’ In the absence of more detailed guideline parameters, this may result in non transparent identification and selection of partners. For example, in certain instances committees were established as part of the selection process; in some other instances consultants were used to recommend partners; while in others, selection was done by staff within the substantive office. Also, the guideline which states that the selection of cooperating entities should be done on a comparative basis after consideration of at least three candidates was interpreted to mean only three candidates need be considered for the selection.

35. Non-compliance with the selection guidelines and their inconsistent interpretation may result in lack of transparency in identification and selection of partners. Further, this is also limiting the competitiveness of the selection process, which may reduce the impact and effectiveness of the projects.

#### **Recommendation 8**

**(8) The UN-HABITAT Executive Director should: (a) expand the guidelines for identification and selection of cooperating entities to include criteria or checklists to be used when performing due diligence in the identification and selection of partners; (b) include a requirement to establish a selection committee at the divisional level; and (c) keep on file all relevant documentation supporting the selection of partners, to ensure transparency and accountability.**

36. *The UN-HABITAT Executive Director accepted recommendation 8 and stated that it would be implemented by January 2012. Recommendation 8 remains open pending receipt of evidence that the guidelines for identification and selection of cooperating entities have been expanded to include (a) the criteria or checklists to be used when performing due diligence in the identification and selection of partners; (b) requirements to establish selection committees at the divisional level; and (c) requirements to keep on file all relevant documentation supporting the selection of partners.*

#### **Recommendation 9**

**(9) The UN-HABITAT Executive Director should ensure that the “Selection of Operating Partners for Cooperation Agreements” guideline, which encompasses appropriate due diligence checks and balances, is complied with.**

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37. *The UN-HABITAT Executive Director accepted recommendation 9 and stated that it would be implemented by January 2012. Recommendation 9 remains open pending evidence that measures are in place to ensure compliance with the guideline on “Selection of Operating Partners for Cooperation Agreements”.*

#### D. Implementation and monitoring of cooperation agreements

##### Lack of control mechanisms to account for and monitor equipment purchased under cooperation agreements

38. There are no control mechanisms to account for and monitor equipment purchased under a cooperation agreement. According to clause 10.0 of the general terms and conditions to all cooperation agreements, title to any equipment and supplies furnished by UN-HABITAT rests with UN-HABITAT and shall be returned to UN-HABITAT at the end of the contract and UN-HABITAT shall decide what to do with the equipment. In addition, some cooperation agreements contain a clause that requires the cooperating entity to provide annually, to UN-HABITAT, the inventory of such equipment, property and non- expendable materials and supplies.

39. In four of the 25 sampled cooperation agreements, UN-HABITAT had funded the purchase of equipment for use in implementing projects. This equipment included vehicles, computers, water pumps and construction equipment. However, UN-HABITAT did not maintain a register of these assets. As a result; UN-HABITAT did not know the type and value of assets procured to date by cooperating entities using UN-HABITAT funds. Moreover, for those cooperation agreements that might have been discontinued, assets in the custody of those cooperating entities may not have been returned to UN-HABITAT, although the sample reviewed did not disclose any such instance. Further, there was no evidence of physical inventory counts carried out by cooperating entities, given that no reports or asset listings were provided to UN-HABITAT. This may result in loss of assets for UN-HABITAT.

#### **Recommendation 10**

**(10) The UN-HABITAT Executive Director should put in place a system to account for and monitor equipment procured under cooperation agreements using UN-HABITAT funds.**

40. *The UN-HABITAT Executive Director accepted recommendation 10 and stated that it would be implemented by January 2012. Recommendation 10 remains open pending receipt of evidence that a system to account for and monitor equipment procured under cooperation agreements using UN-HABITAT funds has been established.*



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No linkage of instalments paid to partners with respect to progress made on project implementation

41. UN-HABITAT does not have a guideline on initial advances payable to cooperating entities. As a result, the initial working advances to the cooperating entities at the start of each project range from 10 per cent to 60 per cent. According to substantive officers and the Legal Officer, 30 per cent is deemed a fair initial working advance. However, even this undocumented understanding is not being adhered to. Also, these payments are in no way linked to planned project implementation progress.

42. According to the procedures for disbursement of funds, payments are subject to the provision of financial reports, which justify how the money was spent by the cooperating entities. However, the linkage between the disbursements and the progress achieved was not established. Furthermore, in terms of the cooperation agreement template, an audited financial statement is required for any instalments above 50 per cent. However, this requirement was not complied with in one cooperation agreement, GC/07/020. The status of the projects under that cooperation agreement as of the time of audit was as follows:

- For four projects, 90 per cent of the project funds totaling \$984,096 had been disbursed to the cooperating entity but the progress on the ground was not commensurate with the amounts disbursed;
- One project was at the roofing stage and yet its budget amounting to an equivalent of \$66,454 had already been fully expended and was in fact overspent by 15 per cent;
- On a project for the construction of ablution, only seven out of the expected eight units had been completed, but the budget amounting to an equivalent of \$306,652 had been overspent by five per cent; and
- For a road construction project, only 280 meters out of the planned 750 meters had been constructed at the time of the site visit while its budget was already spent by 84 percent. Both the UN-HABITAT project manager and the cooperating entity are however confident that the road will be completed within the stipulated budget.

43. In the event of poor performance by the partner, the objective of the cooperation agreement may not be achieved and the Organization may incur financial losses.

### **Recommendation 11**

**(11) The UN-HABITAT Executive Director should: (a) develop and implement guidelines for determining the level of initial working advances which specify criteria to be considered when determining the amount to be advanced and; (b) link subsequent payments to the progress on implementation of the projects.**



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44. *The UN-HABITAT Executive Director accepted recommendation 11 and stated that it would be implemented by January 2012. Recommendation 11 remains open pending receipt of evidence that UN-HABITAT has developed and implemented guidelines for: (a) determining the level of initial working advances which specify criteria to be considered when determining the amount to be advanced; and (b) linking subsequent payments to the progress on implementation of the projects.*

Cooperating entities did not maintain proper books of accounts

45. The books of account for the cooperating entities under agreement GC/07/020 (dated 2 January 2007) and its respective amendments 1 and 2 (dated 23 March 2008 and 30 April 2009 respectively) were not properly maintained. Under the cooperation agreement, the budget and expenditure for the project was \$1,057,059 and \$1,009,455 respectively. The agreement was for the implementation of several projects, including the construction of ablution facilities, a solid waste recycling facility, a resource centre, an access road and the erection of a fence. During the review of the cooperating entity's books of account, the following shortcomings were identified:

- For the period 2007 through 2008, expenditure totaling \$114,935, out of a total of \$1,009,455 disbursed by UN-HABITAT, was not accounted for. No explanations were given by the cooperating entities for the discrepancy. In addition, \$125,180 spent in 2009 was not supported by any documentation. The cooperating entity attributed the lack of documentation to poor filing and high staff turnover. This contravenes Article VI (6) of the cooperation agreement which states that "the partner shall refund to UN-HABITAT any non-duly authorized disbursements. UN-HABITAT may deduct such refunds from future payments due to the partner under this Agreement, or otherwise, or recover them by any other means, as UN-HABITAT may consider appropriate and necessary;"
- For expenditure amounting to \$66,745, the cooperating entity did not document how advances received from UN-HABITAT had been used. For example, cheques that had been issued to individuals on an imprest basis, totaling \$8,126, were not subsequently substantiated by appropriate supporting documentation; and
- The project budget being used by the cooperating entity was different from that on record at UN-HABITAT. According to the UN-HABITAT project budget, the expected financial contribution by this partner was \$117,468 while according to the partner's budget, the contribution was only \$51,041, a discrepancy of \$66,427. Furthermore, the project's overall budget including the cooperating entity's contribution of \$1,174,684, which was prepared by UN-HABITAT, contained computational errors. The actual figure per OIOS calculations was \$1,189,867 (a difference of \$15,183). Similarly, there were errors in the calculation of UN-HABITAT's contribution, which was

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\$1,057,058.95 while Annex C showed a total of \$1,057,216. While the amounts involved were not significant, the errors indicate that the Annexes, which are part of the legal instrument, were not being reviewed for accuracy. As a result, there is a risk of legal disputes.

46. Over the period of the project (2007 to 2010), two external audits were conducted by the cooperating entity's auditors and the financial statements were submitted to UN-HABITAT. Although the external auditors highlighted some filing problems, they did not identify any major issues relating to disbursement of funds. According to the terms of the cooperation agreement, the cooperating entity is required to keep up to date records and documents in respect of all expenditures incurred with the funds made available by UN-HABITAT to ensure that all expenditures are in conformity with the provisions of the project work plan and project budgets. For each disbursement, proper supporting documentation shall be maintained, including original invoices, bills and receipts pertinent to the transaction. The cooperating entity is also required, upon completion of the project, to maintain the records relating to the project for a period of at least six years, unless otherwise agreed upon between parties. However, UN-HABITAT does not specify the criteria for selecting the auditor, scope of the audit and the required reporting format, the absence of which, may lead to substandard reporting that does not meet its requirements.

47. The lack of proper maintenance of books by cooperating entities could result in non-detection of misappropriation of funds by the cooperating entities, and poor project implementation.

#### **Recommendations 12 to 14**

##### **The UN-HABITAT Executive Director should:**

**(12) Request the cooperating entity to produce all documentation supporting payments made under cooperation agreement GC/07/020 to date and, where necessary, call upon the cooperating entity to refund disbursements not duly authorized in terms of Article VI (6) of the cooperation agreement;**

**(13) Provide the criteria for selecting the auditors for its cooperating entities, specify the scope of the audits, and formulate the external auditors' reporting requirements; and**

**(14) Establish procedures to ensure that the cooperating entities' books of account are inspected as part of their progress monitoring.**

48. *The UN-HABITAT Executive Director accepted recommendation 12 and stated that it would be implemented by January 2012. Recommendation 12 remains open pending receipt of evidence that the cooperating entity has provided all the documentation supporting the payments made under cooperation agreement GC/07/020.*

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49. *The UN-HABITAT Executive Director accepted recommendation 13 and stated that terms of engagement of independent auditors which address the above recommendation have already been drafted. Recommendation 13 remains open pending receipt of the final and approved copy of the terms of engagement of independent auditors.*

50. *The UN-HABITAT Executive Director accepted recommendation 14 and stated that it would be implemented by January 2012. Recommendation 14 remains open pending receipt of evidence that procedures to ensure that cooperating entity's books of account are inspected as part of their progress monitoring have been established.*

Lack of follow-up of significant adverse matters arising from the cooperating entities' audit reports

51. UN-HABITAT is not following up on adverse audit matters that are arising from cooperating entities' audit reports. Furthermore, the cooperation agreement does not include a clause to protect the organization from losses negligently incurred by the cooperating entity. A review of the external audit report for cooperation agreement GC/07/135 for the period January 2008 to January 2010 revealed that losses amounting to \$ 21,245 were incurred, pertaining to stolen materials worth \$10,159 and cement worth \$11,086 that was damaged due to poor storage facilities. No recovery procedures were instituted by UN-HABITAT and as a result, the losses were never recovered.

52. Another audit report, for cooperation agreement GC/07/132 dated 18 July 2007, revealed that a cooperating entity was not making statutory deductions and was also not filing statutory annual returns with the country government since its inception in 2006. As at the time of the audit, this situation had not been addressed. This is a contravention of government laws that could result in reputation risks to UN-HABITAT. It also exposes the cooperating entity to financial liability resulting from penalties and interest.

**Recommendations 15 to 17**

**The UN-HABITAT Executive Director should:**

**(15) Put in place control mechanisms to ensure that any discrepancies highlighted by external auditors reports are followed up and resolved;**

**(16) Include a loss recovery clause in all the cooperation agreements to protect the Organization from financial liability; and**

**(17) Ensure that cooperating entities comply with the terms of the cooperation agreements, through periodic financial reviews and site visits of the projects undertaken by the cooperating entities.**

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53. *The UN-HABITAT Executive Director accepted recommendation 15 and stated that it would be implemented by January 2012. Recommendation 15 remains open pending receipt of evidence that control mechanisms to ensure that discrepancies highlighted by the external auditors reports are followed up and resolved have been established.*

54. *The UN-HABITAT Executive Director accepted recommendation 16 and stated that it would be implemented by January 2012. Recommendation 16 remains open pending receipt of evidence that a loss recovery clause has been included in the cooperation agreements.*

55. *The UN-HABITAT Executive Director accepted recommendation 17 and stated that it would be implemented by January 2012. Recommendation 17 remains open pending receipt of evidence that procedures for periodic financial reviews and site visits of projects include the verification of compliance with cooperation agreements by cooperating entities.*

#### Non-compliance with reporting requirements

56. Five of the 25 cooperating entities sampled did not submit some of the quarterly and other periodical reports as stipulated in the reporting requirements as preconditions to disbursing instalment payments. In addition, in two cases, the reports and incorporation documents submitted by cooperating entities to UN-HABITAT were written in languages other than the six United Nations official languages. As a result, the substantive officers and the programme management officers were unable to read and interpret the contents of the reports. Despite this non-adherence to the reporting requirements and inability to interpret the reports, UN-HABITAT has been disbursing the instalment payments to the cooperating entities.

57. In the absence of the required reports, there is a risk that instalments may be made without first establishing whether the previous payment has been appropriately expended on the project. This may result in the projects running out of funds before completion.

#### **Recommendations 18 and 19**

##### **The UN-HABITAT Executive Director should:**

**(18) Ensure that no instalment payments are released prior to satisfactory review by UN-HABITAT of the financial and implementation progress reports; and**

**(19) Amend the general terms and conditions of the standard cooperation agreement to require that all incorporation documents and reports be presented in one of the six United Nations languages.**

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58. *The UN-HABITAT Executive Director accepted recommendation 18 and stated that it would be implemented by January 2012. Recommendation 18 remains open pending receipt of evidence that control mechanisms have been established to ensure that no instalment payments are released prior to the satisfactory review by UN-HABITAT of the financial and implementation progress reports.*

59. *The UN-HABITAT Executive Director accepted recommendation 19 and stated that the recommendation to request implementing partners to present all incorporation documents and reports in one of the six United Nations languages may not be feasible in some countries. In those cases, UN-HABITAT would then require its local staff based in that country to certify the contents of the document and verify its compliance with the output under a cooperation agreement. Recommendation 19 remains open pending receipt of evidence that procedures are in place to ensure that cooperating entities provide all incorporation documents and reports in one of the six United Nations languages, where feasible. Where it is not feasible, UN-HABITAT local staff based in that country should be required to certify the contents of the document and verify its compliance with the output under the cooperation agreement.*

#### Non-compliance with the Financial Regulations and Rules on obligating funds

60. UN-HABITAT is in some instances not obligating funds at the time a cooperation agreement is signed by both parties. The obligation of funds under an amendment to cooperation agreement GC/09/020/2 (dated 30 April 2009) was done nearly a year later (13 April 2010). In another case pertaining to cooperation agreement GC/10/085, dated April 2010, \$44,889 was obligated in February 2010, i.e. two months before the cooperation agreement was drawn up. According to the procedures for obligating funds under a cooperation agreement, funds should be obligated at the time the agreement is signed. United Nations Financial Rule 105.9 on obligating documents states that an obligation must be based on a formal contract, agreement, purchase order, or other form of undertaking or on a liability recognized by the United Nations.

61. In the event that funds are not obligated on time, there is a risk that funds budgeted for a project may be utilized for other needs resulting in hindrance to the effective completion of projects due to lack of funds.

#### **Recommendation 20**

**(20) The UN-HABITAT Executive Director should comply with Financial Rule 105.9 on the obligating documents and procedures for obligating funds.**

62. *The UN-HABITAT Executive Director accepted recommendation 20 and stated that it would be implemented by January 2012. Recommendation 20 remains open pending receipt of evidence that control measures have been established to ensure that Financial Rule 105.9 on the obligating documents and the procedures for obligating funds are complied with.*

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## E. Cooperation agreements database

### Lack of a centralized cooperation agreements database

63. UN-HABITAT does not maintain a central database for its cooperation agreements. According to the current procedures, all cooperation agreements should be reviewed by the Legal Office before being signed. The Legal Office therefore initiated and has been maintaining an Excel spreadsheet of all agreements reviewed by the unit since 2007 while also keeping in file copies of the received and signed cooperation agreements. On this basis, UN-HABITAT has considered the Legal Office as the central repository of all the cooperation agreements. However, the records kept by the Legal Office of UN-HABITAT were incomplete not only because divisions were not submitting all their cooperation agreements for legal review, but also because cooperation agreements signed prior to 2007 had not been captured. For example, ROAP does not submit cooperation agreements below \$300,000 for review by the Legal Office despite the fact that it is a requirement stipulated in the ROAP Director's delegation of authority to sign cooperation agreements. Further, for five of the 25 cooperation agreements sampled for review, there was no evidence that the agreements had been reviewed by the Legal Officer.

64. As a consequence of not having a comprehensive and up-to-date record of agreements entered into, there is no way of knowing whether there are agreements signed prior to 2007 still running, which UN-HABITAT may not be aware of, as evidenced by an MOU between Environmental Systems Research Institute (ESRI) and UN-HABITAT. This MOU was initiated in 2004 and a copy of this MOU was not in the custody of the Legal Office and neither was it documented in the Legal Office's record. The MOU was provided for review by Monitoring Research Division in the course of the audit. In the event that there is a legal or other dispute with such entities, the organization may not be able to respond appropriately due to lack of adequate information. Two other divisions, namely ROAP and the Water and Sanitation Division also maintained separate records of the cooperation agreements entered into. However, these records, including those kept by the Legal Office, are limited in terms of data being captured. Key information such as performance assessment carried out on partners and feedback from substantive officers is not included in the databases. In the absence of a consolidated and complete database, non-performing partners may not be timely identified and possibly blacklisted.

65. The Water and Sanitation Division's database is in an advanced stage of development, and will capture all the salient features of a cooperation agreement such as the expiry dates, the instalment payment information, partner reporting requirements, monitoring and performance reports, etc. UN-HABITAT is planning to replicate this database throughout the organization once it has been fully developed.

66. In the absence of a centralized and informative database for cooperation agreements, there is a lost opportunity for UN-HABITAT to more effectively and efficiently manage its partnerships, and to learn and share lessons from the cooperation agreements.

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## **Recommendation 21**

**(21) The UN-HABITAT Executive Director should develop and implement a centralized cooperation agreement database.**

67. *The UN-HABITAT Executive Director accepted recommendation 21 and stated that it would be implemented by January 2012.* Recommendation 21 remains open pending receipt of evidence that a centralized cooperation agreement database has been developed and implemented.

### Inadequate utilization and maintenance of cooperating entities' roster

68. According to the guidelines for "Selection of Operating Partners for Cooperation Agreements", the divisions are required to maintain a roster of partners and share it with the Youth and Partners Section which is to keep a central roster. The guidelines are however silent as to the requirement for the divisions to use the centralized roster for selecting potential cooperating entities. As a result, cooperating entities' roster, which is maintained by the Youth and Partners Branch, a unit within UN-HABITAT, is not being used by divisions. In the selection process, divisions rely on their own lists of cooperating entities. The lists are made up of cooperating entities that they have collaborated with in the past and others that they deem fit to do business with UN-HABITAT. Some of the divisions, for example ROAP and the Regional Technical Cooperation Division (RTCD) are not aware of the existence of the UN-HABITAT roster maintained by the Youth and Partners Branch.

69. The roster from the Youth and Partners branch contains Economic and Social Council (ECOSOC) accredited partners as well as partners that were accredited during the Istanbul plus 5 and Habitat Agenda 2 conferences. It also contains partners that are accredited on an adhoc basis and are subject to approval by the Governing Council through the Committee of Permanent Representatives (CPR). For adhoc accreditation, partners are required to provide incorporation documents, membership of the organization, purpose and activities of the organization and financial information. However, there is no evidence that the documents are verified for authenticity before being submitted to the CPR.

70. The lack of authenticated documents submitted by the registrants and the non-verification of compliance with the ten principles of the Global Compact initiative of the UN Secretary-General may result in UN-HABITAT doing business with unsuitable partners who do not subscribe to the United Nations values. Failure to use the roster may result in a lengthy and cumbersome identification process of new partners and lack of transparency in selecting partners.



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## Recommendations 22 and 23

**The UN-HABITAT Executive Director should:**

**(22) Establish procedures to verify the authenticity of documents submitted by prospective partners for roster registration before processing their applications; and**

**(23) Ensure that all divisions use the centralized cooperating entities' roster.**

71. *The UN-HABITAT Executive Director accepted recommendation 22 and stated that it would be implemented by January 2012. Recommendation 22 remains open pending receipt of evidence of the establishment and implementation of procedures to verify the authenticity of documents submitted by prospective partners for roster registration before processing the applications.*

72. *The UN-HABITAT Executive Director accepted recommendation 23 and stated that it would be implemented by January 2012. Recommendation 23 remains open pending receipt of evidence that all the divisions are required to use the centralized cooperating entities' roster for selecting potential partners to enhance competition and transparency.*

## V. ACKNOWLEDGEMENT

73. We wish to express our appreciation to the Management and staff of UN-HABITAT for the assistance and cooperation extended to the auditors during this assignment.



## STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
1	The UN-HABITAT Executive Director should expedite the finalization and implementation of the two partnership strategy documents.	Governance	High	O	UN-HABITAT to provide a copy of the final and approved partnership policy and strategy.	January 2012
2	The UN-HABITAT Executive Director should ensure that the partnership policy and strategy include: (a) a definition of the Organization's partnership vision, strategic focus, goals and objectives; (b) the categories of partners; (c) policy on contributions by partners; and (d) policy on instalment payments.	Governance	High	O	UN-HABITAT to provide a copy of the final and approved partnership policy and strategy which includes a copy of the partnership policy and strategy that includes (a) definition of the organization's partnership vision, strategic focus, goals and objectives; (b) the categories of partners; (c) policy on contributions by partners; and (d) policy on instalment payments.	January 2012
3	The UN-HABITAT Executive Director should introduce systems and procedures for measuring, monitoring and reporting on both in kind and cash contributions by cooperating entities.	Operational	Medium	O	UN-HABITAT to provide evidence that systems and procedures for measuring, monitoring and reporting on both in kind and cash contributions by the cooperating entities have been established	January 2012
4	The UN-HABITAT Executive Director should remind and ensure that the Director of the Regional Office for Asia and the Pacific complies with the requirement to clear with the UN-HABITAT Legal Officer cooperation agreements before signing them.	Compliance	Medium	O	UN-HABITAT to provide evidence that measures have been taken to ensure that the Director of the Regional Office in the Asia Pacific complies with the requirement to clear all cooperation agreements with the UN-HABITAT Legal Officer before signing them	January 2012
5	The UN-HABITAT Executive Director should put in place control mechanisms to ensure that the cooperating entities that use the United Nations and/or UN-HABITAT	Compliance	Medium	O	UN-HABITAT to provide evidence that it has implemented control measures that ensure that prior written approval to use the United Nations and/or the UN-HABITAT	January 2012

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	name and emblem obtain prior written approval.				name and emblem is obtained by cooperating entities.	
6	The UN-HABITAT Executive Director should introduce a centralized sequential pre-numbering system when issuing cooperation agreements.	Operational	Medium	O	UN-HABITAT to provide evidence that a strengthened numbering system for cooperation agreements has been implemented.	January 2012
7	The UN-HABITAT Executive Director should put in place control mechanisms to ensure that cooperation agreements are signed with cooperating entity only when project funds are available.	Operational / Compliance	Medium	O	UN-HABITAT to provide evidence of the establishment of control mechanisms to ensure that cooperation agreements are signed with cooperating entities only when project funds are available.	January 2012
8	The UN-HABITAT Executive Director should (a) expand the guidelines for identification and selection of cooperating entities to include criteria or checklists to be used when performing due diligence in the identification and selection of partners; (b) include a requirement to establish a selection committee at the divisional level; and (c) keep on file all relevant documentation supporting the selection of partners, to ensure transparency and accountability.	Operational	High	O	UN-HABITAT to provide evidence that the guideline for identification and selection of cooperating entities has been expanded to include (a) the criteria or a checklist to be used when performing due diligence in the identification and selection of partners; (b) requirements to establish selection committees at the divisional level; and (c) requirements to document and file all relevant documentation supporting the selection of partners.	January 2012
9	The UN-HABITAT Executive Director should ensure that the “Selection of Operating Partners for Cooperation Agreements” guideline, which encompasses appropriate due diligence checks and balances, is complied with.	Compliance	Medium	O	UN-HABITAT to provide evidence that control measures that ensures that the “Selection of Operating Partners for Cooperation Agreements” is complied with	January 2012
10	The UN-HABITAT Executive Director should put in place a system to account for and monitor equipment procured under	Operational	High	O	UN-HABITAT to provide evidence that a system to account for and monitor equipment procured under cooperation	January 2012

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	cooperation agreements using UN-HABITAT funds.				agreements using UN-HABITAT funds has been established and implemented.	
11	The UN-HABITAT Executive Director should: (a) develop and implement guidelines for determining the level of initial working advances which specify criteria to be considered when determining the amount to be advanced; and (b) link subsequent payments to the progress on implementation of the projects.	Operational	Medium	O	UN-HABITAT to provide evidence that it has developed and implemented guidelines (a) for determining the level of initial working advances which specify criteria to be considered when determining the amount to be advanced and (b) for linking subsequent payments to the progress on implementation of the projects.	January 2012
12	The UN-HABITAT Executive Director should request the cooperating entity to produce all documentation supporting payments made under cooperation agreement GC/07/020 to date and, where necessary, call upon the cooperating entity to refund disbursements not duly authorized in terms of Article VI (6) of the cooperation agreement.	Operational	Medium	O	UN-HABITAT to provide evidence that the implementing partner has provided all the documentation supporting the payments made under cooperating agreement GC/07/020.	January 2012
13	The Executive Director, UN-HABITAT should provide the criteria for selecting the auditors for its cooperating entities, specify the scope of the audits, and formulate the external auditors' reporting requirements.	Operational	Medium	O	UN-HABITAT to provide a final and approved copy of the terms of engagement of independent auditors.	January 2012
14	The Executive Director, UN-HABITAT should establish procedures to ensure that the cooperating entities' books of account are inspected as part of their progress monitoring.	Operational	Medium	O	UN-HABITAT to provide evidence that procedures that ensure that implementing partner's books of account are inspected as part of their progress monitoring have been established.	January 2012
15	The UN-HABITAT Executive Director should put in place control mechanisms to ensure that any discrepancies highlighted	Operational	Medium	O	UN UN-HABITAT to provide evidence that control mechanisms to ensure that discrepancies highlighted by the external	January 2012

Recom. no.	Recommendation	Risk category	Risk rating	C/O <sup>1</sup>	Actions needed to close recommendation	Implementation date <sup>2</sup>
	by external auditors reports are followed up and resolved.				auditors reports are followed up and resolved have been established.	
16	The UN-HABITAT Executive Director should include a loss recovery clause in all the cooperation agreements to protect the Organization from financial liability.	Operational	Medium	O	UN-HABITAT to provide evidence that a loss recovery clause has been included in the cooperation agreements.	January 2012
17	The UN-HABITAT Executive Director should ensure that cooperating entities comply with the terms of the cooperation agreements, through periodic financial reviews and site visits of the projects undertaken by the cooperating entities.	Compliance	Medium	O	UN-HABITAT to provide evidence that procedures for periodic financial reviews and site visits of projects include the verification of compliance to cooperation agreements by cooperating entities.	January 2012
18	The UN-HABITAT Executive Director should ensure that no instalment payments are released prior to satisfactory review by UN-HABITAT of the financial and implementation progress reports.	Compliance	Medium	O	UN-HABITAT to provide evidence that control mechanisms that ensure that no instalment payments are released prior to the satisfactory review by UN-HABITAT of the financial and implementation progress reports have been established.	January 2012
19	The UN-HABITAT Executive Director should amend the general terms and conditions of the standard cooperation agreement to require that all incorporation documents and reports be presented in one of the six United Nations languages.	Operational	Medium	O	UN-HABITAT to provide evidence that procedures to ensure that implementing partners provide all incorporation documents and reports in one of the six United Nations languages where feasible. However, where it is not feasible UN-HABITAT local staff based in that country are required to certify the contents of the document and verify its compliance with the output under a cooperation agreement.	January 2012
20	The UN-HABITAT Executive Director should comply with Financial Rule 105.9 on the obligating documents and procedures for obligating funds.	Compliance	Medium	O	UN-HABITAT to provide evidence that control measures that ensure that Financial Rule 105.9 on the obligating documents and the procedures for obligating funds are complied with have been established	January 2012

<b>Recom. no.</b>	<b>Recommendation</b>	<b>Risk category</b>	<b>Risk rating</b>	<b>C/O<sup>1</sup></b>	<b>Actions needed to close recommendation</b>	<b>Implementation date<sup>2</sup></b>
21	The UN-HABITAT Executive Director should develop and implement a centralized cooperation agreement database.	Governance	High	O	UN-HABITAT to provide evidence that a centralized cooperation agreements database has been developed and implemented.	January 2012
22	The UN-HABITAT Executive Director should establish procedures to verify the authenticity of documents submitted by prospective partners for roster registration before processing their applications.	Operational	Medium	O	UN-HABITAT to provide evidence of the establishment and implementation of procedures that ensure the authenticity of documents submitted for roster registration before processing the applications	January 2012
23	The UN-HABITAT Executive Director should ensure that all divisions use the centralized cooperating entities' roster.	Compliance	Medium	O	UN-HABITAT to provide evidence that all the divisions are required to use the centralized cooperating entities' roster for selecting potential partners in order to enhance competition and transparency.	January 2012

1. C = closed, O = open

2. Date provided by UN-HABITAT in response to recommendations.

## ANNEX 2

*Use this page if the orientation of Annex 2 is portrait. If the orientation is landscape, insert a section break at the end of Annex 1 and continue on the new page. (On the **Insert** menu, point to **Break**, select **Next page** under **Section break types**.) Leave the page blank if not required; do not delete it.*