



## INTERNAL AUDIT DIVISION

# REPORT 2014/120

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Audit of the Women Land Access Trust operations of the United Nations Human Settlements Programme

Overall results relating to the effective and efficient management of the Women Land Access Trust operations were initially assessed as unsatisfactory. Implementation of three critical recommendations remains in progress.

**FINAL OVERALL RATING: UNSATISFACTORY**

5 December 2014

Assignment No. AA2014/250/01

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# **AUDIT REPORT**

## **Audit of the Women Land Access Trust operations of the United Nations Human Settlements Programme**

### **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Women Land Access Trust (WLAT) operations of the United Nations Human Settlements Programme.
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. WLAT operations were established in 2004 with the main objective of assisting low income women in select African countries to improve their living standards by facilitating their access to and ownership of land and housing. WLAT operations support the implementation of the UN-Habitat Governing Council Resolution GC21/9 on women's land and property rights and access to finance, adopted on 20 April 2007, and Resolution GC19/16 on women's roles and rights in human settlements development and slum upgrading.
4. UN-Habitat implemented the Women Land Access Trusts (WLATs) in the respective countries of operations. WLATs were officially registered non-profit organizations established by UN-Habitat to assist low income women to improve their housing conditions and overall living standards. WLATs mobilized, educated and assisted women and a large spectrum of the urban low-income groups to form and register pro-poor housing cooperatives as organs through which they would be encouraged to develop a culture of saving and for fund raising for purchase of land and housing.
5. According to UN-Habitat, WLATs evolved from former UN-Habitat legacy programmes on empowering urban women entrepreneurs through access to land and housing rights. The WLATs were established based on principles adapted from such programmes as the Slum Upgrading Facility, the Kenya Slum Upgrading Programme and the Experimental Reimbursable Seeding Operations. The adapted principles were customized to meet the specific needs of WLAT. As per UN-Habitat, WLAT was to be initially implemented on a pilot basis in three East African countries of Kenya, Uganda and Tanzania prior to being rolled out to other African countries, including Burundi, Ethiopia, Ghana, Liberia, Malawi, Mali, Nigeria, Rwanda and Senegal.
6. UN-Habitat indicated that there were no funds specifically earmarked for WLAT activities and neither was an overall budget or financial resource plan prepared for WLAT from the onset. The individual WLAT country projects were established, financed and managed largely on a stand-alone basis. WLAT was not formally designated as a programme, despite being a distinct initiative and having attributes of a programme (e.g. multiple inter-related country projects, multiple stakeholders, including donors and implementing partners). Instead, WLAT was administered as a series of inter-related projects, with funding for the individual WLAT projects being drawn from and channeled through the different UN-Habitat divisions, units or legacy programmes to which the individual projects were anchored. For example, WLAT in Kenya (KEWLAT) was funded under the Kenya Slum Upgrading Programme while WLAT in Tanzania was largely supported through the Slum Upgrading Facility.

7. For a variety of reasons, including withdrawal of funding by a major donor, as well as a change of implementation approach and strategy: WLAT operations in Uganda and KEWLAT were terminated in 2011 and 2012; the Agreements of Cooperation (AoCs) with WLAT Ghana and Nigeria lapsed in May 2012 and November 2012 respectively; while WLAT operations in Tanzania and Mozambique were still ongoing as at June 2014. By 31 December 2013, UN-Habitat had released a total of \$1.2 million to support WLAT operations in the five African countries, i.e., Uganda, Kenya, Ghana, Nigeria and Mozambique.

8. Comments provided by UN-Habitat are incorporated in italics.

## II. OBJECTIVE AND SCOPE

9. The audit was conducted to assess the adequacy and effectiveness of UN-Habitat governance, risk management and control processes in providing reasonable assurance regarding **the efficient and effective management of WLAT operations of UN-Habitat**.

10. OIOS included this assignment in its 2014 audit work plan following a request by UN-Habitat related to concerns over the processes, practices and controls followed in administering WLAT.

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

(a) **Project management capacity** - controls that provide reasonable assurance that there is adequate project management capacity to achieve WLAT mandates. This includes adequate resources and appropriate project management tools, methodologies and systems.

(b) **Regulatory framework** – controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations and management of WLAT 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 1.

13. OIOS conducted the audit from February to June 2014. The audit covered WLAT operations from 1 January 2007 to 31 December 2013 with an emphasis on the planning, execution and close-out phases of WLAT operations in Kenya, Uganda, Ghana, Nigeria and Mozambique. In performing the audit, OIOS reviewed: (a) WLAT policies, guidelines and standard operating procedures; (b) WLAT organizational structure, work plans and performance reports; and (c) records including financial records and project documentation.

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.

15. The audit was performed primarily through review of WLAT records maintained at UN-Habitat headquarters and interviews with responsible managers. This approach was considered appropriate primarily because most of the WLAT projects were terminated prematurely prior to achievement of any substantial accomplishments, and in light of the low materiality (dollar values) of the disbursements and expenditures recorded in the respective countries. WLAT operations in Tanzania were not included in the

scope of the OIOS audit because UN-Habitat had commissioned an external audit firm to review those operations.

### III. AUDIT RESULTS

16. The UN-Habitat governance, risk management and control processes were initially assessed as **unsatisfactory**<sup>1</sup> in providing reasonable assurance regarding **the efficient and effective management of WLAT operations of UN-Habitat**. OIOS made seven recommendations to address issues identified in the audit.

17. UN-Habitat did not entirely adhere to best practice guides and principles in formulating WLAT. In particular, the organization did not develop and clearly outline the overarching concept, design and methodology or strategy within which the WLAT initiative was to be implemented. Despite having the characteristics of a programme, WLAT was not designated as such, but was instead administered as a series of separate stand-alone projects, each with its own project document and administrative arrangements. The absence of a clearly defined design and implementation framework contributed to numerous challenges in the overall administration, coordination and oversight of the WLAT, which culminated in premature closure and termination of some of the WLAT country operations. UN-Habitat did not assess or verify the institutional capacity of implementing partners to successfully implement the projects, and the Organization did not also maintain project records and information in accordance with the United Nations archiving and records management standards.

18. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **unsatisfactory** as implementation of three critical recommendations remains in progress.

**Table 1: Assessment of key controls**

Business objective	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 WLAT operations	(a) Project management capacity	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
	(b) Regulatory framework	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory
<b>FINAL OVERALL RATING: UNSATISFACTORY</b>					

<sup>1</sup> A rating of “**unsatisfactory**” means that one or more critical and/or pervasive important deficiencies exist in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of the control and/or business objectives under review.

## A. Project management capacity

### Women Land Access Trust concept, design and implementation framework needed to be defined

19. In 2003, UN-Habitat developed the “Programme & Project Cycle Management Manual” to streamline and standardize the processes for formulating and managing programmes and projects. The Manual outlined the processes to be followed in formulating new projects and highlighted the value and importance of project tools, such as programme documents, to guide the formulation and implementation of projects by, amongst others: clarifying the scope and extent of proposed programmes; defining proposed governance and administrative structures, including monitoring and oversight plans; outlining the methodology and strategy for programme and project implementation; and highlighting the programmes’ budgets and resource mobilization strategies. In 2009, UN-Habitat developed guides on “Project Review Mechanisms” and “Projects Based Management” to provide additional guidance on programme and project formulation.

20. UN-Habitat did not develop an overarching framework for WLAT outlining the pilot design and strategy for its implementation despite the manual and guidelines in place. Key aspects of the pilot project were not properly defined and clarified at the outset. These included: (a) the governance and organizational context within which the pilot would be administered; (b) strategy for rolling out the project; (c) staffing; and (d) resource mobilization. There was no document detailing an overarching implementation strategy, expected accomplishments and indicators of achievement.

21. OIOS was informed that the UN-Habitat Gender Mainstreaming Unit had developed a concept note that had proposed that WLAT be run and administered as a programme. The concept note was shared with senior management, but was not approved as the intention at the time was to initially pilot the different models, and then develop a programme after assessing the lessons learned.

22. In the absence of a well-defined framework, OIOS noted the following control weaknesses in the administration and implementation of WLAT activities:

a) Inadequate governance structure and organizational context for Women Land Access Trust projects

23. UN-Habitat did not clearly define the governance structure within which WLAT was to be implemented. During the period from 2007 to 2011, there was no core management or coordination team to centrally supervise and coordinate the operations of the various country projects to ensure that the projects collectively progressed smoothly. Instead, the WLAT operations were administered in a fragmented manner, with different staff from different UN-Habitat units and/or branches being responsible for managing different components or country specific WLAT projects.

24. According to UN-Habitat, the fragmented manner in which the individual WLAT projects were administered was because funding for the projects came from different donors, and the funds were channeled through different UN-Habitat Divisions or Units that had their own separate reporting lines. For ease of donor reporting, the individual WLAT projects were therefore anchored in the Divisions or Units that received the funding.

25. WLATs did not also have a consistent and stable administrative structure throughout their life time. In particular, WLATs were anchored or administered interchangeably by five different UN-Habitat branches/divisions during their life-span. This included the Gender Mainstreaming Unit, the Urban

Finance Unit, Urban Economy and Social Development Branch, and the Regional Office for Africa and the Arab States.

26. The absence of a clear and centralized core governance and management team impaired proper accountability, oversight and delivery of WLAT projects. It also limited UN-Habitat ability to ensure coordination and consistency of practices and hampered the effective sharing of experiences and best practices across WLATs. Further, the lack of continuity arising from frequent relocation of WLAT administrative functions from one organizational unit to another made it difficult to consolidate knowledge and experiences gained, which were required to ensure effective implementation.

b) Women Land Access Trust implementation approach, including strategy for rolling out to targeted countries, was not clearly outlined

27. There was no clearly documented strategy for rolling out the project across countries. WLATs were intended as pilot in the three East African countries of Kenya, Uganda and Tanzania, and then subsequently to be rolled out to other countries. However, UN-Habitat did not identify upfront the other countries to which WLATs were to be rolled out. The strategy, approach and timeline for rolling out WLATs in those countries were not defined. Consequently, UN-Habitat went ahead to propose, and in some cases established, WLAT projects in countries such as Mali, Malawi, Liberia, Burundi, Nigeria and Ghana without having gathered or analyzed the experiences or lessons learned from the pilot phase. Some of these proposed new WLATs were subsequently terminated without any meaningful activity being undertaken.

28. Different approaches were used to implement the pilot in different countries. For instance, WLAT projects in Kenya, Uganda and Tanzania were implemented through women trusts or associations while WLAT operations in Mozambique were implemented through a local government agency (Municipality of Manica). Further, the range and scope of services financed varied widely and were not consistent across the different WLATs. For example, the Mozambique project included aspects such as infrastructure development, including building of access roads, water and sanitation systems. Similarly, the agreements of cooperation signed with the WLAT Boards in Ghana and Nigeria were to, amongst others, facilitate the conduct of social economic surveys, and did not cover the construction of houses for women as was the case with other WLATs.

29. UN-Habitat explained that the use of different approaches to implement WLAT in different countries was normal for global/regional initiatives of this nature; each country had its own institutional settings, rules and regulations, to which projects needed to be customized to be implemented successfully, and that the “one size fits all” rule could not apply when dealing with different countries. All the customizations and approaches were done after due internal consultations, and despite the differences in approach, the main objectives, principles and expected achievements remained the same for all the countries. UN-Habitat further explained that in the case of Mozambique, it was impossible for UN-Habitat to build houses without basic services and infrastructure.

30. OIOS recognizes the need and importance of customizing the project approach in the context of the conditions in each country. However, such customizations of approach need to be done within a well-defined and coordinated framework to enhance control, and ensure quality and consistency of practices across the projects. This would help to mitigate the risk of deviation from the established objectives.

- c) Women Land Access Trust was not adequately staffed and there were no formal internal cooperation and collaboration arrangements to enhance effective sharing of in-house skills and expertise

31. UN-Habitat did not develop a human resources plan or strategy to outline the number of staff, including skills and expertise required to support WLAT project implementation as well as the associated human resources costs and/or budget. Based on interviews with staff previously involved in managing and administering WLAT, it was learned that the scale and scope of WLAT operations required a combination of various skills and expertise in different areas including land tenure issues, community organization and development, needs assessments, infrastructure, construction financing, fundraising and resource mobilization, and gender mainstreaming.

- d) Lack of resource mobilization plan and inadequate financial resources hampered effective and successful implementation of Women Land Access Trust activities

32. UN-Habitat did not develop a resource mobilization plan outlining its strategy for raising the required financial resources to administer the pilot programme. Despite this, UN-Habitat proposed new operations in other countries (such as Mali, Malawi, Liberia, Senegal and Rwanda), without indicating how these new operations would be financed. With no budget and resource plan, it was difficult for UN-Habitat to ensure the sustainability of these projects. In a letter dated 28 June 2011 addressed to all the WLAT Board of Trustees in eight countries, the then Acting Director, UN-Habitat Regional and Technical Cooperation Division indicated that due to funding constraints, UN-Habitat was not going to provide financial support to the new/proposed WLAT initiatives in those countries. This effectively terminated UN-Habitat plans for initiating WLAT projects in those countries.

33. A budget and resource plan, developed at the outset to outline the projected costs, could have provided a basis for resource mobilization and monitoring the costs of the WLAT projects.

**(1) UN-Habitat should ensure that initiatives such as Women Land Access Trust operations are initiated, implemented and managed in accordance with the prescribed guidelines and standards. In addition, UN-Habitat should document the lessons learned from the implementation of Women Land Access Trust projects for future reference.**

*UN-Habitat accepted recommendation 1 and stated that it has improved and strengthened its programme/project approval mechanism since WLAT projects were last approved. The new mechanism has adequate controls to address the recommendation. The project approval workflow process has also been automated in the organization information management system - the Project Accrual and Accountability System (PAAS), to enforce compliance. The project approval workflow, embedded in the PAAS process, captures documents and records pertaining to the approved project before funds are allotted. UN-Habitat also stated that it will document the lessons learned from the implementation of WLAT projects with the aim to improve internal controls, accountability and management, and monitoring of the activities undertaken by implementing partners. Recommendation 1 remains open pending receipt of the lessons learned document from UN-Habitat.*

Adequate processes to ascertain or verify the implementing partners' capacity to implement projects needed to be established

34. The UN-Habitat Policy Statement on Partnerships with Non-Governmental and Civil Society Organizations (March 2003) outlines guidelines for dealing with partner organizations. The policy, amongst others, identifies the types of organizations that UN-Habitat is to partner with, areas of cooperation and key requirements to be met by the organizations. These requirements include the need for



the organizations to have established appropriate standards and capacities in the technical, managerial, administrative and financial areas, good performance records and accountability mechanisms.

35. UN-Habitat did not assess or verify the technical, administrative and managerial capacities of the selected implementing partners (WLATs) to implement projects as required by guidelines. There was no documentation outlining the criteria used to select implementing partners, and there was no evidence to indicate that the implementing partners were subjected to any vetting process. Based on a review of documentation and discussions with UN-Habitat management and staff, the following weaknesses were noted:

- i. The implementing partners selected to implement the country-specific projects did not have sound financial bases and relied entirely on UN-Habitat to sustain their operations, including meeting their basic administrative and overhead costs such as office rent and staff salaries. This limited their ability to effectively implement WLAT. According to UN-Habitat, all WLATs were advanced some funds for administrative costs, and the implementing partners were supposed to supplement UN-Habitat contributions through membership fees, annual subscriptions, income from sale of products made by the participating women, and the Board of Trustees' monthly fixed voluntary contributions. There was no evidence to indicate that any of the implementing partners raised the proposed supplementary income. The absence of funding arrangement for the administrative and overhead costs, for instance, impaired the ability of the implementing partners to deliver.
- ii. Some implementing partners were inadequately staffed and did not have the right number of Board Members and/or management team to effectively manage the projects. For example, while the KEWLAT Board of Trustees consisted of four members at inception in 2007, two of its members resigned the same year and the Board had only two members responsible for providing oversight and performing the day to day operational tasks until the project was terminated in 2011. In this case there was no separation of duties between the Board and Management, and the arrangement did not provide for proper accountability and oversight.

36. The need for due diligence is more pronounced in situations where UN-Habitat was involved in establishing entities to receive and use WLAT funds. Failure to do so could expose UN-Habitat to potential conflict of interest and create perceptions of favoritism if the process is not seen to be above board. These might expose the Organization to the risk of reputational damage.

**(2) UN-Habitat should, at all times, perform due diligence to assess the technical, financial, managerial and administrative capacities of implementing partners, as prescribed by the Policy Statement on Partnerships with Non-Governmental and Civil Society Organizations.**

*UN-Habitat accepted recommendation 2 and stated that in these particular innovative and experimental operations, UN-Habitat assisted the establishment of the WLATs. Therefore the selection due diligence process which requires formal assessment of the technical, financial, managerial and administrative capacities of implementing partners was not applicable. However UN-Habitat built and supported the capacity of the WLATs through technical and financial assistance. In normal circumstances, formal assessment of the technical, financial, managerial and administrative capacities of implementing partners is done during the selection phase. UN-Habitat believes that adequate controls addressing this recommendation are in place. OIOS takes note of UN-Habitat's explanations but maintains that the lessons learned from the lack of due diligence in this case needs to be documented for future reference. Recommendation 2 remains open pending receipt of the lessons learned document referred to under Recommendation 1.*

There was no appropriate records and information management system to effectively support Women Land Access Trust operations

37. The Secretary-General's bulletin on "Record-keeping and the Management of United Nations Archives" sets out the rules and procedures to be followed for the creation, management and disposition of records, electronic records, archives and non-current records, with the view to ensuring the effective and efficient management of United Nations records and archives.

38. UN-Habitat did not put in place a robust records management and archiving system for WLAT. Specifically, there was no centralized system for storing and maintaining information and records. Information was stored in a fragmented and disaggregated manner, with much of it being stored in computers of staff formerly involved in administering WLAT, most of who were scattered across different branches, units and departments of UN-Habitat following its reorganization. According to UN-Habitat, the financial, technical and administrative files were kept according to funding sources for ease of reference.

39. Establishment of a centralized information repository system would provide a standard platform for storing, sharing and transferring vital information, thereby ensuring that the information was readily accessible and available when required.

**(3) UN-Habitat should introduce measures for consistently maintaining project records and information in a manner that facilitates effective and efficient project management and enhances compliance with UN archiving and records management standards.**

*UN-Habitat accepted recommendation 3 and stated that it has put in place an effective archives and records management programme. To this end, the organization has a policy, based on the Secretary-General bulletin's ST/SGB/2007/5; has dedicated focal points for records management; and provides regular training, advice and support through its Knowledge Management Support unit. Finally, projects documents and records are now captured in PAAS. In addition, the Joint Inspection Unit commended the organization's archives and records management policy, including proposed enhancements thereto relating to electronic recording and digital preservation that were under development as at the last quarter of 2013. Based on the explanations provided by UN-Habitat, recommendation 3 has been closed.*

## **B. Regulatory framework**

Agreements of cooperation were executed after implementing partners commenced operations

40. The UN-Habitat Programme and Project Cycle Management Manual of June 2003 provides guidance on engaging appropriate partners for effective implementation of UN-Habitat projects. Section 4.2 requires agreements to be signed with implementing partners, outlines the importance of agreements in providing the legal framework for project implementation, and prescribes the different types of agreements to be entered into with implementing partners.

41. UN-Habitat did not always adhere to the prescribed practices and processes for engaging its implementing partners. Some implementing partners were engaged and commenced operations prior to establishing any Agreements of Cooperation (AoC). This was the case in Ghana and Nigeria where the AoC were executed almost two and three years respectively into the project's implementation and only after UN-Habitat had made a decision to stop providing further financial support to all WLAT country projects.

42. OIOS was informed that the Ghana and Nigeria WLAT projects were conceived and initiated in 2008 and 2010 respectively based on verbal commitments which were never formalized. The anomaly was detected in 2011 when UN-Habitat conducted an internal review to assess and develop recommendations for administering WLATs going forward, and after the respective WLATs petitioned UN-Habitat proposed decision to stop funding the projects, and demanded reimbursement of expenses incurred in setting up their operations.

43. UN-Habitat explained that the decision to execute formal AoC on an *ex post facto* basis was mainly to ratify the verbal agreements and commitments made to the respective WLATs and support the projects in preparing formal business plans as well as finance the conduct of a social economic survey. The *ex post facto* AoC also provided a formal basis for settling claims for reimbursement of expenses incurred by the partners in anticipation of UN-Habitat funding.

44. Formally executed agreements are necessary as they provide a legal framework for implementation of programmes or projects and serve as a basis for minimizing the risk of disputes with contracting parties.

**(4) UN-Habitat should ensure that all Agreements of Cooperation with project stakeholders, including implementing partners, are duly established prior to commencement of operations.**

*UN-Habitat accepted recommendation 4 and stated that the experimental nature of the WLAT operations required some unique pre-investment costs. UN-Habitat also indicated that this was an isolated case which normally does not occur in normal circumstances where implementing partners are formally selected through a due diligence process and where only activities covered by valid agreements and deliverables are honored. UN-Habitat has developed policies, guidelines, tools and templates such as the Agreement of Cooperation template which formally recognizes only work performed from the date of the entry into force of an agreement, as well as the existing policies and procedures which require adequate funds to be earmarked and made available before the undertaking of any work. In addition, UN-Habitat stated that the current International Public Sector Accounting Standards (IPSAS)-compliant delivery control built in the Integrated Management Information System (IMIS) requires agreements and outputs to be formally inspected prior to issuance of payments. Both these key controls described above ensure that outputs do not pre-date the establishment of the related agreements. Based on the explanations provided by UN-Habitat, recommendation 4 has been closed.*

UN-Habitat needed to strengthen its processes for tracking and enforcing Implementing partners' compliance with the established reporting timelines

45. The terms and conditions of the AoC signed between UN-Habitat and implementing partners required the respective WLATs to prepare and submit to UN-Habitat, periodic financial and narrative progress reports to outline how funds provided were utilized, and highlight the achievements made on implementation.

46. OIOS reviewed and tested reporting practices of five WLATs (i.e. KEWLAT, UWLAT (Uganda), NAWLAT (Nigeria), GAWLAT (Ghana), and Manica Housing Project (Mozambique)), to determine whether they were in compliance with prescribed reporting requirements. Two of the five WLATs reviewed did not comply with the prescribed reporting requirements as follows:

- i. Whilst the AoC required UWLAT to prepare and submit financial reports at the end of each quarter and audited accounts at the end of each financial year, UWLAT did not provide the required audited financial statements. In addition, the electronic financial reports made

available for OIOS review covered periods longer than the four month cycle prescribed by the AoC, and did not indicate the dates when UN-Habitat received them. OIOS could not therefore confirm whether these were submitted on time.

- ii. Also, the AoC with KEWLAT required the implementing partner to prepare and submit narrative and financial progress reports every six months. Out of the six reporting cycles covered in our audit, OIOS noted two instances where KEWLAT reports were submitted within spans of 18 months as opposed to the required six.

47. By not appropriately tracking and following up on the implementing partners' compliance with the reporting requirements, UN-Habitat was unable to effectively monitor the use of funds and provide adequate oversight.

**(5) UN-Habitat should develop robust systems to monitor and follow up on the implementing partners' compliance with the reporting requirements stipulated in the Agreements of Cooperation.**

*UN-Habitat accepted recommendation 5 and stated that the existing policies and procedures governing the monitoring and reporting of activities under implementing partners are adequately dealing with the identified control weakness. Additional control measures have been effected to enhance monitoring of reporting of implementing partners, including: (i) the current IPSAS-compliant delivery control built in IMIS which requires documentation related to agreements and outputs (including reports) to be uploaded in the system and formally inspected prior to issuance of payments, (ii) the PAAS system captures the agreement conditions and sends alerts to the concerned staff at every stage of the payment schedule and (iii) finally all deliverables including narrative and financial reports are formally verified before the issuance of the final payment. Based on the explanations provided by UN-Habitat, recommendation 5 has been closed.*

Controls over the accounting and handover of assets needed strengthening

48. The AoC between UN-Habitat and UWLAT required that upon termination of the AoC, UWLAT was to return to UN-Habitat, within 30 days of termination, any funds that may not have been disbursed or legally committed up to that date. At the time of project termination in February 2012, UWLAT had unutilized funds amounting to \$113,961 of which \$64,800 was refunded in June 2013. The balance of \$49,161 had not been refunded as at June 2014.

49. The general terms and conditions of the AoC with KEWLAT required that title to any equipment and supplies that may be furnished by UN-Habitat shall rest with UN-Habitat and any such equipment shall be returned to UN-Habitat at the conclusion of the agreement/contract or when no longer needed by the cooperating entity/contractor. At the point of termination of the KEWLAT AoC in October 2011, UN-Habitat had financed the purchase of several assets, including furniture and equipment as well as the construction of four model houses that were still in the custody of KEWLAT.

50. UN-Habitat management wrote to KEWLAT Trustees in January 2012, and informed them of the need to develop an inventory of project assets in their possession, with a view to accounting and returning these to UN-Habitat. As at June 2014, however, there was no evidence to indicate that KEWLAT had complied with the requirement. It was also not clear if UN-Habitat management had made a determination of whether and how these returnable assets were to be accounted for in UN-Habitat records under International Public Sector Accounting Standards.

51. Lack of a final reconciliation to ascertain the final financial position of projects and status of unspent balances, if any, could impair UN-Habitat ability to financially close the projects. Further, the absence of a detailed inventory of assets in the custody of the implementing partners may make it difficult for UN-Habitat to properly account for and safeguard its assets.

**(6) UN-Habitat should follow up, account for and recover project assets in the custody of implementing partners, especially for those projects that have since been terminated.**

*UN-Habitat accepted recommendation 6 and stated that it is now in the process of reviewing all the terminated agreements and will ensure full accounting and reporting of funds and assets under the terminated agreements. Recommendation 6 remains open pending receipt of evidence to confirm that UN-Habitat has followed up and recovered project assets in the custody of implementing partners, especially for the terminated projects.*

Review and monitoring of project expenditure reports was not always adequately performed

52. The UN-Habitat Project Based Management Policy (issued in November 2012), entrusts designated Project Leaders and Administrators with the responsibility to ensure that project funds are spent on the originally intended purposes. In addition, the AoC with respective WLATs require them to allow duly authorized persons to the project sites to evaluate the project progress and achievements.

53. Whilst there was evidence to show that UN-Habitat was monitoring WLAT projects through management approval of financial statements, mission visits, as well as through special in-house reviews of overall project performance, there were instances of lack of rigour in review of financial reports submitted by the implementing partners. OIOS review of project reports, correspondence and documentation supporting expenditures incurred under UWLAT showed instances where funds were spent on activities that appeared to be unrelated to the project. In those instances, no evidence was provided by the implementing partner to justify the eligibility of the costs. These included:

- A payment of \$12,761 made to the Executive Director of UWLAT as reimbursement of costs incurred prior to incorporation of UWLAT and execution of the AoC. It was not clear what these costs related to and whether they were eligible, as there was no documentation provided to support the costs or indicate the nature and purpose. Further, the AoC did not provide for reimbursement of costs incurred prior to incorporation of the UWLAT.
- A transfer of \$2,500 from the project's US dollar bank account to the Uganda Shilling bank account. This transaction was inappropriately reported as expenditure even though it was a mere transfer of funds from one project bank account to another. In the absence of additional information, OIOS did not consider this to be a bona fide expenditure.
- \$3,200 spent on preparation of "Human Resources manual". It was not clear how this related to the mandate of the project which was to facilitate access to land and housing for the low-income earning women.

54. Inadequate monitoring and review of reported project activities coupled with lack of guidance on the proper recording and reporting of funds impaired accountability over the use of project funds.

**(7) UN-Habitat should put more rigour in the review of the financial reports submitted by implementing partners, to enhance proper use of and accounting of project funds.**

*UN-Habitat accepted recommendation 7 and stated that the existing policies and procedures governing the monitoring and reporting of activities under implementing partners are adequately dealing with the identified control weakness. Additional controls measures have been effected to enhance monitoring of reporting of implementing partners, including:(i) the current IPSAS-compliant delivery control built in IMIS which requires documentation related to agreements and outputs (including reports) to be uploaded in the system and formally inspected prior to issuance of payments, (ii) the PAAS system captures the agreement conditions and sends alerts to the concerned staff at every stage of the payment schedule and (iii) finally all deliverables including narrative and financial reports are formally verified before the issuance of the final payment. Based on the explanations provided by UN-Habitat, recommendation 7 has been closed.*

#### **IV. ACKNOWLEDGEMENT**

55. OIOS wishes to express its appreciation to the Management and staff of UN-Habitat for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja  
Assistant Secretary-General for Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of the Women Land Access Trust operations of the United Nations Human Settlements Programme

Recom. no.	Recommendation	Critical <sup>2</sup> / Important <sup>3</sup>	C/ O <sup>4</sup>	Actions needed to close recommendation	Implementation date <sup>5</sup>
1	UN-Habitat should ensure that programmes such as Women Land Access Trust operations are initiated, implemented and managed, as prescribed in accordance with the prescribed guidelines and standards. In addition, UN-Habitat should document the lessons learned from the implementation of Women Land Access Trust projects.	Critical	O	Submission to OIOS of the lessons learned document prepared by UN-Habitat.	30 June 2015
2	UN-Habitat should, at all times, perform due diligence to assess the technical, financial, managerial and administrative capacities of implementing partners, as prescribed by the Policy Statement on Partnerships with NGOs & Civil Society Organizations	Critical	O	Submission to OIOS of the lessons learned document prepared by UN-Habitat.	30 June 2015
3	UN-Habitat should introduce measures for consistently maintaining project records and information in a manner that facilitates effective and efficient project management and enhances compliance with UN archiving and records management standards.	Important	C	Implemented	November 2014
4	UN-Habitat should ensure that all Agreements of Cooperation with project stakeholders, including implementing partners, are duly established prior to commencement of operations.	Critical	C	Implemented	November 2014
5	UN-Habitat should establish a robust system to monitor and follow up on the implementing	Important	C	Implemented	November 2014

<sup>2</sup> Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

<sup>3</sup> 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.

<sup>4</sup> C = closed, O = open

<sup>5</sup> Date provided by UN-Habitat in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

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	partners' compliance with the reporting requirements stipulated in the Agreements of Cooperation.				
6	UN-Habitat should follow up, account for and recover project assets in the custody of implementing partners, especially for those projects that have since been terminated.	Critical	O	Follow up and recovery of project assets in the custody of implementing partners, especially for the terminated WLAT projects.	30 June 2015
7	UN-Habitat should put more rigour in the review of the financial reports submitted by implementing partners, to enhance proper use of and accounting of project funds.	Important	C	Implemented	November 2014



# **APPENDIX I**

## **Management Response**



## Management Response

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Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
				for Africa		and management and monitoring of the activities undertaken by implementing partners.
2	UN-Habitat should, at all times, perform due diligence to assess the technical, financial, managerial and administrative capacities of implementing partners, as prescribed by the Policy Statement on Partnerships with NGOs & Civil Society Organizations.	Critical	Yes	Methods And Oversight Officer (Office of Management)	<b>Implemented</b>  Recommendation is considered implemented since the recommended control is already in place	Please note that in these particular innovative and experimental operations, UN-Habitat assisted the establishment of the WLATs. Therefore the selection due diligence process which requires formal assessment of the technical, financial, managerial and administrative capacities of implementing partners was not applicable. However UN-Habitat built and supported the capacity of the WLATs through technical and financial assistance. In normal circumstances, formal assessment of the technical, financial, managerial and administrative capacities of implementing partners is done during the selection phase.  UN-Habitat believes that adequate controls addressing this recommendation are in place and invites OIOS to consider this recommendation implemented.
3	UN-Habitat should introduce measures for consistently maintaining project records and information in a manner that facilitates effective and efficient project management and enhances	Important	Yes	Head of Knowledge Management Support unit (Office of Management)	<b>Implemented</b>  Recommendation is considered implemented since the recommended	UN-Habitat already has in place an effective archives and records management programme. The organization has a policy, based on the Secretary-General bulletin's ST/SGB/2007/5, dedicated focal points for

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	compliance with UN archiving and records management standards.				control is already in place	<p>records management and provides regular training, advice and support through its Knowledge Management Support unit. Please also see attached the recent JIU report referring to UN-Habitat good systems and practices in records management. Finally projects documents and records are now captured in PAAS.</p> <p>UN-Habitat believes that adequate controls addressing this recommendation are in place and invites OIOS to consider this recommendation implemented</p>
4	UN-Habitat should ensure that all Agreements of Cooperation with project stakeholders, including implementing partners, are duly established prior to commencement of operations.	Critical	Yes	Methods and Oversight Officer (Office of Management)	<p><b>Implemented</b></p> <p>Recommendation is considered implemented since the recommended control is already in place</p>	<p>The experimental nature of the WLAT operations required some unique pre-investment costs. This was an isolated case which normally does not occur in normal circumstances where implementing partners are formally selected through a due diligence process and where only activities covered by valid agreements and deliverables are honored.</p> <p>This practice is supported by the Article XIII in the Agreement of Cooperation template which formally recognizes only work performed from the date of the entry into force of an agreement (see below) and the existing policies and procedures requiring the availability and earmarking of adequate funds before the undertaking of any work.</p>

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						<p>This is further supported by the current IPSAS-compliant delivery control built in IMIS which requires that agreements and outputs are formally inspected prior to issuance of payments.</p> <p>Both key controls described above ensure that outputs do not pre-date the establishment of the related agreements.</p> <p><b><u>Article XIII of Agreement of Cooperation /Entry into Force:</u></b>                      This Agreement shall enter into force upon signature by the Parties, being effective from the date of the latest signature, and shall remain valid for a period of [number in words] [number in figures] months, or unless earlier terminated by either Party in accordance with Article XI clause (1) above.)</p> <p>UN-Habitat believes that adequate controls addressing this recommendation are in place and invites OIOS to consider this recommendation implemented</p>
5	UN-Habitat should establish a robust system to monitor and follow up on the implementing partners' compliance with the reporting requirements	Important	Yes	Methods and Oversight Officer (Office of Management)	<b>Implemented</b>  Recommendation is considered implemented	The existing policies and procedures governing the monitoring and reporting of activities under implementing partners are adequately dealing with the identified

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	stipulated in the Agreements of Cooperation.				since the recommended control is already in place	control weakness.  Furthermore (i) the current IPSAS-compliant delivery control built in IMIS requires that documentation related to agreements and outputs (including reports) are uploaded in the system and formally inspected prior to issuance of payments, (ii) the PAAS system captures the agreement conditions and sends alerts to the concerned staff at every stage of the payment schedule and (iii) finally all deliverables including narrative and financial reports are formally verified before the issuance of the final payment.  UN-Habitat believes that the above internal controls are adequate and address the control weakness addressed by the recommendation and therefore invites OIOS to consider this recommendation implemented.
6	UN-Habitat should follow up, account for and recover project assets in the custody of implementing partners, especially for those projects that have since been terminated.	Critical	Yes	Director, Regional Office for Africa	30 June 2015	UN-Habitat is now in the process of reviewing all the terminated agreements and will ensure full accounting and reporting of funds and assets under the terminated agreements
7	UN-Habitat should put more rigour in the review of the financial reports submitted by implementing partners, to enhance proper use of and accounting of project funds.	Important	Yes	Methods and Oversight Officer (Office of Management)	<b>Implemented</b>  Recommendation is considered implemented since the recommended	Please see comments above (recommendation 5).

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					control is already in place	

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## COMMENTS ON AUDIT OBSERVATIONS

Para	Comments
35	The current sentence should read as follows “UN-Habitat indicated it assisted the establishment of the implementing partners for the purposes of WLAT activities as part of its capacity building role and guided and financially assisted the implementing parties. Therefore the selection due diligence process which requires formal assessment of the technical, financial, managerial and administrative capacities of implementing partners was not applicable. In normal circumstances, formal assessment of the technical, financial, managerial and administrative capacities of implementing partners is done during the selection phase.”
54	Office equipment and furniture reported by KEWLAT were handed over back to them for capacity building in accordance with normal practices in the circumstances. The model houses are still under the joint control of UN-Habitat and the Government of Kenya.