



## INTERNAL AUDIT DIVISION

### REPORT 2016/134

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Audit of resource mobilization at the United Nations Human Settlements Programme

Resource mobilization and communication strategies were in place, but additional actions were needed to strengthen the effectiveness of resource mobilization efforts

14 November 2016  
Assignment No. AA2015/250/01

# **Audit of resource mobilization at the United Nations Human Settlements Programme**

## **EXECUTIVE SUMMARY**

The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over resource mobilization at the United Nations Human Settlements Programme (UN-Habitat). The audit covered the period from January 2014 to June 2016 and included a review of strategic management, risk management and administrative support services, to the extent that they related to resource mobilization.

UN-Habitat had developed resource mobilization strategies for 2013-2015 and 2016-2017, as well as a related communication strategy. However, UN-Habitat needed to take additional actions to strengthen the effectiveness of its resource mobilization efforts.

OIOS made nine recommendations to address the issues identified in the audit. These included the need for UN-Habitat to:

- Develop specific, measurable and relevant indicators and targets for effective monitoring of implementation of its resource mobilization strategy;
- Devise viable options for identifying countries of strategic importance and ensuring that representation in these countries is strengthened;
- Systematically identify, assess and manage risks relating to resource mobilization;
- Develop policies and procedures to guide its new business approach where it provided technical assistance to middle income countries as part of its resource mobilization activities;
- Strengthen its capacity for preparation of project proposals in order to mobilize more resources for its projects;
- Ensure that staff with resource mobilization responsibilities have the requisite knowledge and skills to enhance the effectiveness of resource mobilization efforts;
- Review its recruitment processes and ensure that recruitment activities are undertaken timely to support project implementation and maintain donor support;
- Streamline its procurement process with a view to addressing the causes of delays in the process; and
- Update the Cost Allocation and Recovery Policy to clarify the rationale for charging programme support costs and direct costs to projects.

UN-Habitat accepted the recommendations and has initiated action to implement them.

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# **Audit of resource mobilization at the United Nations Human Settlements Programme**

## **I. BACKGROUND**

1. The Office of Internal Oversight Services (OIOS) conducted an audit of resource mobilization at the United Nations Human Settlements Programme (UN-Habitat).
2. UN-Habitat is the United Nations agency for human settlements mandated by the General Assembly to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. In the 2014-2019 strategic plan and the related strategic framework, work programme and budget, UN-Habitat had seven focus areas and four cross cutting issues. The focus areas were: (i) Urban Legislation, Land and Governance; (ii) Urban Planning and Design; (iii) Urban Economy; (iv) Urban Basic Services; (v) Housing and Slum Upgrading; (vi) Risk Reduction and Rehabilitation; and (vii) Research and Capacity Development. The cross-cutting issues were gender, youth, climate change, and human rights.
3. UN-Habitat budgets for the biennia 2014-2015 and 2016-2017 were \$394.5 million and \$482.3 million respectively. The budgets were funded from three sources: (i) United Nations regular budget allocations approved by the General Assembly; (ii) United Nations Habitat Foundation funded by voluntary contributions for two purposes: general purpose for funding core activities; and special purpose for specific activities; and (iii) technical cooperation contributions for specific regional and country level projects.
4. UN-Habitat developed resource mobilization strategies for 2013-2015 and 2016-2017 to mobilize the resources needed for implementing its programme activities. Referred to as the Donor Relations and Income Strategy by UN-Habitat, the resource mobilization strategy was overseen and implemented by Executive Management, Resource Mobilization Steering Committee, Donor Relations and Income Service, Donor Relations Focal Points, Regional Directors Country Managers, Branch Coordinators, and the Office for External Relations.
5. Comments provided by UN-Habitat are incorporated in italics.

## **II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY**

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over resource mobilization at UN-Habitat.
7. The audit was included in the 2016 OIOS risk-based work plan for UN-Habitat in view of the risks associated with resource mobilization which could potentially affect the implementation of UN-Habitat's mandate.
8. OIOS conducted this audit from May to July 2016 at the UN-Habitat Headquarters in Nairobi, Kenya and at the Regional Office for Asia and the Pacific (ROAP) in Fukuoka, Japan. The audit covered the period from January 2014 to June 2016. Based on an activity-level risk assessment, the audit covered higher and medium risks in the resource mobilization at UN-Habitat, which included: strategic management, risk management and administrative support services.

9. The audit methodology included: (a) interviews of key personnel; (b) review of relevant documentation; (c) analytical reviews of data; and (d) judgmental sample testing.

### III. OVERALL CONCLUSION

10. UN-Habitat had developed resource mobilization strategies for 2013-2015 and 2016-2017, as well as a related communication strategy. However, UN-Habitat needed to strengthen the effectiveness of its resource mobilization efforts by: (i) developing appropriate indicators and targets; (ii) ensuring representation in countries of strategic importance; (iii) systematically identifying, assessing and managing risks; (iv) ensuring that key staff had the requisite knowledge and skill to mobilize resources; and (v) improving its recruitment and procurement processes to enhance the impact of its projects.

### IV. AUDIT RESULTS

#### A. Strategic management

There was a general decrease in funding

11. There was a general decrease in funding for UN-Habitat from the biennium 2010-2011 to 2014-2015 (see Table 1). While the UN-Habitat regular budget income increased marginally, the United Nations Habitat Foundation's voluntary contributions for core activities (non-earmarked funding for normative activities) decreased significantly by \$22.7 million (about 65 per cent) over the three biennia.

**Table 1: UN-Habitat funding by source – 2010 to 2015 (amounts in \$'000)**

<b>Funding</b>	<b>2010/2011</b>	<b>2012/2013</b>	<b>2014/2015</b>
United Nations Regular budget	22,451	24,192	25,779
Voluntary contributions for core activities	35,200	20,589	12,416
Voluntary contributions for specific activities	73,091	84,460	66,238
Technical corporation for region and country projects	298,075	248,855	253,821
	<b>428,817</b>	<b>378,096</b>	<b>358,254</b>

**Source:** UN-Habitat

**Note:** Funding for the 2010-2011 and 2012-2013 biennia was recognized using modified cash accounting while that for 2014-2015 biennium was recognized on an accrual basis following the adoption of the International Public Sector Accounting Standards in 2014.

12. The decrease in non-earmarked funding for core activities could have a significant negative impact on UN-Habitat as the agency used this funding for core normative work in which it had a comparative advantage. Therefore, while Member States' demand for normative work had been increasing, UN-Habitat had increasingly been challenged to meet this demand due to financial constraints. The decrease in funding had also resulted in freezing of key posts that were critical for project and programme implementation. Other important activities such as resource mobilization had also been adversely affected as they were primarily financed through core funding.

13. In March 2013, UN-Habitat released its first 2013-2015 Resource Mobilization Strategy which recognized the strengths and opportunities of the organization. Building on this strategy, UN-Habitat documented the 2016-2017 Resource Mobilization Strategy which addressed the decline in core resources using the following main actions: (a) outlining the role and contribution of UN-Habitat to support implementation of the new urban agenda and Sustainable Development Goal (SDG 11); (b) developing a resource plan required to carry out proposed mandates to support the new urban agenda and SDG11

implementation; (c) holding high level meetings with key donors with a view to signing multi-year contribution agreements and attracting donors from emerging economies; (d) issuing standard letters to Member States to streamline collection of core contributions; (e) developing possible models for soft earmarking; and (f) looking at innovative ways of fund raising such as fund raising from private sector and new types of donors.

14. During discussions with UN-Habitat staff as well as donors, OIOS was informed that the decline in funding was due to the shrinking global economy, decline in development assistance budgets of key donors, and the migration crisis in Europe. In addition, donors increasingly provided earmarked (and not non-earmarked) contributions for more accountability to their constituents. However, OIOS also noted that there was need for UN-Habitat to strengthen accountability and improve the communication of results achieved from the resources provided to it.

15. Since the present audit was conducted in June 2016, it was too early for OIOS to assess the effectiveness of the actions outlined in the 2016-2017 Resource Mobilization Strategy that UN-Habitat was undertaking to address the issue of declining core funding.

#### Significant levels of resources were mobilized in Asia and the Pacific

16. The UN-Habitat Regional Office in Asia and the Pacific (ROAP) mobilized significant levels of resources for technical and country projects. For the biennium 2014-2015, ROAP mobilized resources for projects amounting to \$142.7 million which accounted for about 36 per cent of the UN-Habitat biennial budget. This success was attributed to the fact that UN-Habitat projects provided solutions to problems faced by countries; donors and partners had confidence and trust in UN-Habitat as well as in the professionalism of its staff. ROAP managed its relationships with key stakeholders and delivered expected results, communicated results achieved, and proactively addressed the problems faced during implementation.

#### Specific performance indicators needed to be developed for the resource mobilization strategy

17. A strategy should have clear key performance indicators. In order to facilitate performance measurement, monitoring and evaluation, the indicators should be Specific, Measureable, Realistic and Time bound (SMART).

18. The 2016-2017 resource mobilization strategy of UN-Habitat defined the main objectives as being to establish or enhance: (a) coordination and guidance with regard to donor relations and income; (b) consistent professional and effective decentralized resource mobilization; (c) long-term relationships with key donors to secure sustainable and predictable funding; (d) visibility for UN-Habitat's donors and partners in delivering operational and strategic results; (e) increased levels of resources for core normative activities; and (f) innovative fund raising methods, ways to engage non-traditional donors and tap into new funding sources such as global funds. However, the strategy did not have SMART performance indicators for its objectives. Notably, the strategy did not quantify the resources targeted to be mobilized over the biennium.

19. SMART indicators for resource mobilization could quantify the overall targets of resources to be mobilized for UN-Habitat which could be disaggregated to subprogrammes, regional offices, executive management (especially for core funding), and other key staff.

20. SMART performance indicators would enable more effective monitoring of resource mobilization activities and facilitate appropriate intervention by senior management, when necessary.

**(1) UN-Habitat should develop SMART indicators and targets for effective monitoring of the implementation of its resource mobilization strategy.**

*UN-Habitat accepted recommendation 1 and stated that work is in progress to determine specific measurable performance indicators for each of the goals in the results matrix. Recommendation 1 remains open pending receipt of SMART indicators and targets for resource mobilization.*

A communication strategy had been developed

21. The UN-Habitat strategic plan 2014-2019 identified poor communication as a main weakness for the organization. Therefore, UN-Habitat identified the need to “improve external communication and the image of UN-Habitat, including the ability of UN-Habitat to tell its success stories more effectively”. During the audit, key staff confirmed that lack of a communication strategy and relevant tools was hampering the organization’s ability to effectively communicate the results achieved with donors’ and partners’ support. This posed a challenge in attracting and sustaining the stakeholder’s interest in UN-Habitat programmes. The UN-Habitat Resource Mobilization Strategy 2016-2017 addressed the issue.

22. UN-Habitat documented a communication strategy and its Senior Management Board approved it in June 2016. Furthermore, UN-Habitat held a staff retreat and mapped out its key results areas, action plans and clarified staff responsibilities for activities. A bi-monthly newsletter that aimed at highlighting results and impact of work done, key organization developments and outcomes of key partnerships was also launched. In view of the measures undertaken to improve communication, OIOS did not make a recommendation.

Need to strengthen representation in strategically important countries

23. UN-Habitat operated from its Headquarters in Nairobi, Kenya and through regional offices and selected countries in Africa, Latin America, and Asia and the Pacific. It also had liaison offices in North America and Europe.

24. UN-Habitat was successful in mobilizing significant resources in Asia and the Pacific region which was partially attributed to strong country presence. With appropriate country representation, UN-Habitat was able to adequately analyze and assess country issues and formulate workable solutions with close cooperation of Member States, other United Nations offices and key stakeholders. UN-Habitat presence also facilitated appropriate monitoring of project implementation and communication with stakeholders, as well as building essential trust.

25. According to UN-Habitat, a mechanism for identifying country presence was already in place. This involved annual strategic planning meetings and extensive discussion on the priority countries when developing biennial work programme and budgets. In selected countries, UN-Habitat worked through Habitat Programme Managers and Regional Human Settlement Officers who covered a number of countries and attended critical meetings. However, additional funding would help the organization establish a stronger presence in those countries that were identified as strategic.

26. In the absence of continued presence in countries of strategic importance, there was a risk that donors would lack confidence in UN-Habitat’s ability to deliver on assigned normative and operational activities. Strategic presence in a country would also facilitate preparation of the UN-Habitat Country Programme Development Document which was critical in planning UN-Habitat activities in the country. This could create opportunities for resource mobilization and wider implementation of UN-Habitat programmes.

**(2) UN-Habitat should devise viable options for identifying countries of strategic importance and ensuring that representation in these countries is strengthened, given the importance of country presence in resource mobilization.**

*UN-Habitat accepted recommendation 2 and stated that its regional offices, under the overall coordination of the Programme Division, have taken the lead in selection of their respective focus countries based on priorities identified with national governments as reflected in the newly developed Habitat Country Programme Documents. Where it has not been possible to establish physical presence in countries of strategic importance due to resource constraints, the organization has been collaborating with the United Nations Resident Coordinator. Recommendation 2 remains open pending receipt of a list of countries identified by UN-Habitat as being of strategic importance and details of viable representation mechanisms in place.*

## **B. Risk management**

### Risks needed to be systematically identified, assessed and managed

27. In April 2015, UN-Habitat documented the Enterprise Risk Management Implementation Guidelines which outlined the process that would be followed in the implementation of an effective risk management framework within the organization. The framework that would be developed following the guidelines would include, among other things, the establishment of policies and procedures, internal controls, governance structures, risk management processes, communication processes, as well as monitoring and oversight of UN-Habitat risks. While the Guidelines mentioned lack of core budget as a critical risk, UN-Habitat did not have a documented analysis outlining the causes, mitigating measures, action points and staff responsible for addressing the critical risks associated with lack of core funding within the organization.

28. In the 2016-2017 resource mobilization strategy and the 2014-2019 strategic plan, UN-Habitat identified challenges that needed to be addressed to enhance the organization's income. The challenges included, among others, greater competition for declining levels of development funds, less predictable and less flexible sustainable funding, lack of marketing materials, incomplete donor information system, inability to tell success stories, and lengthy and burdensome procurement and recruitment procedures. However, there was no mechanism in place to show how these challenges had been analyzed and adopted in the resource mobilization strategy documents.

29. UN-Habitat is a member of the United Nations Risk Treatment Working Group which was established to identify and monitor risks affecting the United Nations at a global level. According to UN-Habitat, the outcomes and recommendations made by the working group to address funding challenges at the global level were taken into consideration during the development of the 2016-2017 resource mobilization strategy. OIOS noted, however, that the outcomes and recommendations made by the working group were in relation to standardization of donor agreements, management of implementing partners and administration of trust funds, which did not correspond to the challenges and action points outlined in the resource mobilization strategy documents.

30. Adoption and implementation of a risk management mechanism relating to resource mobilization could strengthen UN-Habitat's ability to systematically identify, evaluate, monitor and mitigate risks in order to meet its goals and objectives. This would enable significant risks relating to resource mobilization to be addressed in a timely manner or be escalated to appropriate levels of management for solution. For example, challenges in the implementation of Umoja (the enterprise resource planning system of the United Nations) hampered UN-Habitat's ability to implement projects in a timely manner.



While UN-Habitat communicated the delays to donors, there was a risk of damage to the reputation of the organization which could adversely affect its resource mobilization potential. Such risks needed to be managed effectively.

**(3) UN-Habitat should systematically identify, assess and manage risks relating to resource mobilization.**

*UN-Habitat accepted recommendation 3 and stated that a significant amount of work had been done to identify organizational risks including those relating to resource mobilization and a Steering Committee on risk management and on resource mobilization had been established. Work was ongoing to finalize the framework for monitoring identified risks. Recommendation 3 remains open pending receipt of evidence that a risk management framework has been established for resource mobilization.*

Procedures needed to be developed to manage risks arising from the new approach to resource mobilization

31. According to the 2015 UN-Habitat Global Activities Report, the agency has, over the last two years, positioned itself to be the technical partner of choice for national governments and municipalities in spearheading the urban agenda. This was especially so for middle income countries that may no longer require development aid but needed technical expertise. In the lesser developed countries, bilateral and multilateral aid was still paramount for supporting the urban agenda.

32. At the time of the audit, UN-Habitat had extensively implemented the new technical partner approach to resource mobilization in Latin America, Asia and the Pacific, and to a limited extent in Africa. In the new approach, UN-Habitat collaborated with a member state or municipality to identify and analyze urban problems, proposed possible technical solutions to the problems, and assessed the resource requirements involved. If satisfied with the expertise and solutions proposed, the Member State provided UN-Habitat with resources needed for the projects.

33. There was no evidence that UN-Habitat had, at the corporate level, developed and adopted necessary policies and procedures to ensure that adequate controls were in place to manage emerging risks in the new resource mobilization approach. For example, it was important that UN-Habitat ensures that adequate safeguards such as alignment with the mandate, mitigation of legal risks, ethical conduct of staff, and avoidance of conflicts of interest were established.

34. Lack of policies and procedures for the new business approach could expose UN-Habitat to ineffective management of risks which could damage the reputation of the organization.

**(4) UN-Habitat should develop policies and procedures to guide its new business approach where it provided technical assistance to middle income countries as part of its resource mobilization activities.**

*UN-Habitat accepted recommendation 4 and stated that building on existing policies as outlined by the Strategic Plan 2014/2019 also in line with the Work Programme 2015/2016, UN-Habitat had developed a set of regional strategic plans at the core of its new business operations and procedures mainly targeting middle income countries such as in Africa and Latin America and the Caribbean. The involvement of national regional groups in the development of the said regional strategic plans had been instrumental in ensuring a greater collaboration in the implementation projects and programmes, as well as facilitating ownership. Based on the action taken by UN-Habitat, recommendation 4 has been closed.*

## C. Administrative support services

### Need to strengthen capacity for development of project proposals

35. Generally, resource mobilization was undertaken on the basis of project proposals reviewed, accepted, and funded by donors and partners. Therefore, development of credible project proposals is an essential part of resource mobilization.

36. UN-Habitat did not have resources (budgets) set aside for development of project proposals. The resources were required for undertaking field assessments and other information gathering exercises for the proposals. During discussions with key staff, it was noted that UN-Habitat usually faced challenges in timely mobilizing resources in order to prepare comprehensive project proposals to respond to Member States' needs.

37. Lack of adequate capacity for the development of project proposals could adversely affect UN-Habitat's ability to prepare comprehensive project proposals that are essential for making its case to raise resources for projects. This could limit the amount of resources that UN-Habitat could mobilize.

**(5) UN-Habitat should strengthen its capacity for preparation of project proposals in order to mobilize more resources for its projects.**

*UN-Habitat accepted recommendation 5 and stated that the issue of pre-investment is currently being addressed also considering best practices such as the Saudi programme. It is expected that clearer guidance would be given during the next Senior Management Board retreat. Recommendation 5 remains open pending receipt of evidence that UN-Habitat has identified resources to support the development of proposals.*

### Need for skills training on resource mobilization and core business

38. Resource mobilization responsibilities were assigned to various staff in UN-Habitat. In order for the staff to effectively mobilize resources, it was essential that the staff possessed necessary skills in mobilizing resources and have knowledge on the seven UN-Habitat focus areas.

39. At the time of the audit in June 2016, there was no evidence that UN-Habitat had analyzed the knowledge and skills needed by staff for resource mobilization. While the 2016-2017 Resource Mobilization Strategy had identified training for resource mobilization focal points as part of its key activities, UN-Habitat had not developed a mechanism to ensure that all staff expected to mobilize resources had acquired essential knowledge and skills for doing so.

40. According to UN-Habitat, two staff in the Donor Relations and Income Management Unit had attended a fundraising symposium in April 2016 and planned to organize and coordinate training for donor relations focal points. The Unit was researching on the most appropriate training for staff with resource mobilization functions.

41. Lack of the requisite knowledge and skills for resource mobilization could adversely impact ability of staff to competently undertake their resource mobilization responsibilities. This could limit UN-Habitat's ability to mobilize the desired level of resources.

**(6) UN-Habitat should ensure that staff with resource mobilization responsibilities have the requisite knowledge and skills to enhance the effectiveness of resource mobilization efforts.**

*UN-Habitat accepted recommendation 6 and stated that research had been undertaken on the training required for those staff with resource mobilization functions. There was need for core resources to enable staff to undertake this training. Recommendation 6 remains open pending receipt of evidence that staff with resource mobilization responsibilities have received appropriate training.*

#### Delays in recruitment need to be addressed

42. The UN-Habitat strategic plan 2014–2019 identified “lengthy and burdensome” recruitment procedures as a weakness that posed challenges to UN-Habitat ability to timely implement projects.

43. There were significant delays in the recruitment processes at UN-Habitat. The delays mainly took place at three recruitment stages, namely: (i) assessment of candidates; (ii) Central Review Board endorsement; and (iii) selection of candidates. UN-Habitat recruitments for 2014, 2015 and 2016 took on average 148 days, 247 days and 213 days respectively. During this period, the maximum number of days taken to recruit for a single position was 525 days in 2015. These delays adversely affected UN-Habitat’s ability to implement projects, which could in turn adversely affect its reputation and resource mobilization.

44. In order to manage the risk of delayed implementation of projects, UN-Habitat outsourced some recruitment services to a United Nations agency at the country and regional level but the option was costly. Between 2014 and 2015, ROAP paid \$568,385 to the agency for the services and in 2016, the payment was estimated at \$742,886. Therefore, by addressing the root causes of delays in recruitment and by limiting the recruitment cases outsourced, there was potential to save costs and even hire additional project staff.

**(7) UN-Habitat should review its recruitment processes and ensure that recruitment activities are undertaken timely to support project implementation and maintain donor support.**

*UN-Habitat accepted recommendation 7 and stated that as part of the implementation of Enterprise Risk Management, UN-Habitat will be reviewing risk factors slowing recruitment and devise mitigation actions. Recommendation 7 remains open pending receipt of evidence of steps taken to improve the recruitment processes and ensure the timely recruitment of staff.*

#### Need to expedite the procurement of goods and services

45. In the 2014-2019 strategic plan, a burdensome and lengthy procurement process was identified as a possible weakness which posed a risk in the implementation of post-disaster projects. A review of high value procurement for UN-Habitat conducted between 2014 and 2015 revealed significant delays in procurement. The delays were mainly caused during technical evaluation by UN-Habitat. For example, UN-Habitat took up to 213 days to complete the technical evaluation for a project in Somalia. This procurement, involving \$544,474, eventually took 348 days to be completed.

46. As a result of procurement delays, there was a risk of delayed project implementation which may ultimately adversely affect UN-Habitat’s relationships with the donors and resource mobilization.

**(8) UN-Habitat should streamline its procurement process with a view to addressing the causes of delays in the process.**

*UN-Habitat accepted recommendation 8 and stated that as part of its implementation of Enterprise Risk Management, UN-Habitat intends to carry out an exhaustive analysis of risk factors delaying procurement with the aim to design mitigation actions. The implementation of Umoja and the current negotiation with United Nations Secretariat for increased procurement delegation were expected to improve procurement lead time. Recommendation 8 remains open pending receipt of evidence of the streamlined procurement process to address delays.*

#### Need for clarity on programme support cost and direct cost recovery

47. UN-Habitat charged programme support costs (PSC) to meet indirect costs of implementing projects. This was in accordance with Administrative Instruction ST/AI/286 titled “Programme Support Accounts” and a memo dated 8 June 2012 from the United Nations Controller. PSC ranged from 7 to 13 per cent of projects’ direct costs.

48. UN-Habitat staff from Headquarters, Regional and Country Offices provided expertise to projects. UN-Habitat recovered the costs involved in the provision of this expertise as direct project costs in accordance with the UN-Habitat Cost Recovery and Allocation policy dated June 2012.

49. There was a lack of clarity, especially among donors and partners, on the difference between PSC and direct costs recovered from the project. Some donors considered all support provided by UN-Habitat and the Regional Office to be part of PSC and therefore should not again be charged to the project in the form of direct cost recovery. UN-Habitat did not have clear guidance on the necessity to charge both PSC and direct costs to projects.

50. Administrative Instruction ST/AI/286 required that PSC income must be used in areas where a relationship exists between the supporting activity concerned and the activities that generated the programme support revenue. OIOS noted that it was not clear to key UN-Habitat staff interviewed on how the PSC income was distributed between supporting the activities that generated the income and other organizational overheads. Therefore, there was a risk of lesser resources being used to support project activities that actually generated the income, which could adversely affect project implementation and impair donor support for priority activities. For example, despite generating significant PSC, ROAP was not always able to invest more in additional staff to support the implementation of important projects. UN-Habitat did not have a policy or guidance on the distribution of income generated from PSC.

51. The lack of clarity between PSC and direct costs could impair donor relations because there was a risk that UN-Habitat may be perceived to be non-transparent. This could adversely affect the ability of UN-Habitat to mobilize resources.

**(9) UN-Habitat should update the Cost Allocation and Recovery Policy to clarify the need for both programme support costs and direct cost recovery and explain the rationale for charging them to projects.**

*UN-Habitat accepted recommendation 9 and stated that it complied in full with donor agreements which specified direct costs and overheads. Furthermore, it was currently updating its policy guidelines on cost recovery which clarify the need for both programme support costs and direct cost recovery and explain the rationale for charging them to projects. Recommendation 9 remains open pending receipt of the updated policy guidelines on cost recovery.*

## V. ACKNOWLEDGEMENT

52. 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)* Eleanor T. Burns  
Director, Internal Audit Division  
Office of Internal Oversight Services

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of resource mobilization at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
1	UN-Habitat should develop SMART indicators and targets for effective monitoring of the implementation of its resource mobilization strategy.	Important	O	Confirmation that UN-Habitat has developed SMART indicators and targets for resource mobilization	31 March 2017
2	UN-Habitat should devise viable options for identifying countries of strategic importance and ensuring that representation in these countries is strengthened, given the importance of country presence in resource mobilization.	Important	O	Receipt of a list of countries identified by UN-Habitat as being of strategic importance and details of viable representation mechanisms in place.	Not provided
3	UN-Habitat should systematically identify, assess and manage risks relating to resource mobilization.	Important	O	Receipt of evidence that a risk management framework has been established for resource mobilization	30 June 2017
4	UN-Habitat should develop policies and procedures to guide its new business approach where it provided technical assistance to middle income countries as part of its resource mobilization activities.	Important	C	Action taken.	Implemented
5	UN-Habitat should strengthen its capacity for preparation of project proposals in order to mobilize more resources for its projects.	Important	O	Receipt of evidence that UN-Habitat has identified resources to support the development of proposals.	31 July 2017
6	UN-Habitat should ensure that staff with resource mobilization responsibilities have the requisite knowledge and skills to enhance the effectiveness of resource mobilization efforts.	Important	O	Receipt of evidence that staff with resource mobilization responsibilities have received appropriate training	Not provided
7	UN-Habitat should review its recruitment processes and ensure that recruitment activities are	Important	O	Receipt of evidence of steps taken to improve the recruitment processes and ensure the timely	31 March 2017

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

<sup>3</sup> C = closed, O = open

<sup>4</sup> Date provided by UN-Habitat in response to recommendations.

## STATUS OF AUDIT RECOMMENDATIONS

## Audit of resource mobilization at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	C/ O <sup>3</sup>	Actions needed to close recommendation	Implementation date <sup>4</sup>
	undertaken timely to support project implementation and maintain donor support.			recruitment of staff.	
8	UN-Habitat should streamline its procurement process with a view to addressing the causes of delays in the process.	Important	O	Receipt of evidence of streamlined procurement process to address delays.	31 January 2017
9	UN-Habitat should update the Cost Allocation and Recovery Policy to clarify the need for both programme support costs and direct cost recovery and explain the rationale for charging them to projects.	Important	O	Receipt of the updated policy guidelines on cost recovery.	31 December 2016

# **APPENDIX I**

## **Management Response**



## Management Response

## Audit of resource mobilization at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UN-Habitat should develop SMART indicators and targets for effective monitoring the implementation of its resource mobilization strategy.	Important	Yes	Head, Donor Relations and Income Management	31 March 2017	Work is in progress to determine specific measurable performance indicators for each of the goals in the results matrix
2	UN-Habitat should devise viable options for identifying countries of strategic importance and ensuring that representation in these countries is strengthened, given the importance of country presence in resource mobilization.	Important	Yes	Director, Programme Division	<b>Implemented</b>	A key criteria for designing new Habitat Country Programme Documents (HCPDs) as mandated by the Strategic Plan 2014/2016 has been the identification of at least three strategic countries by region where joint planning and political commitments provided leverage for resources mobilization .UN-Habitat's regional offices for Africa, Arab States, Asia and Pacific, and Latin America and the Caribbean, under the overall coordination of the Programme Division have taken the lead in the selection of their respective focus countries based on priorities identified with national governments as reflected in the newly developed HCPDs .As for strengthening its country presence, UN-Habitat remains a relatively small Agency with a limited presence at the operations level despite the global

<sup>1</sup> Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

<sup>2</sup> Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

## Management Response

## Audit of resource mobilization at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical <sup>1</sup> / Important <sup>2</sup>	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						reach of its mandate and delivery. However, where it has not been able to establish physical presence in countries of strategic importance due to resource constraints, the organization has been collaborating with the UN Resident Coordinator mechanism as done by many non-resident agencies to ensure that sustainable urbanization priorities are reflected and related programmes developed by partners.
3	UN-Habitat should systematically identify, assess and manage risks relating to resource mobilization.	Important	Yes	Head, Donor Relations and Income Management	30 June 2017	A significant amount of work has been done to identify organizational risks including those relating to resource mobilization and a Steering Committee on risk management and on resource mobilization has been established. Work is ongoing to finalize the framework for monitoring identified risks.
4	UN-Habitat should develop policies and procedures to guide its new business approach where it provided technical assistance to middle income countries as part of its resource mobilization activities.	Important	Yes	Director, Programme Division	<b>Implemented</b>	Building on existing policies as outlined by the Strategic Plan 2014/2016 also in line with the Work Programme 2015/2016, UN-Habitat has developed a set of regional strategic plans at the core of its new business operations and procedures mainly targeting middle income countries such as in Africa (Nigeria) and Latin America and the Caribbean (Mexico, Colombia, Brazil etc.). The

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						involvement of national regional groups in the development of the said-regional strategic plans has been instrumental in ensuring a greater collaboration in the implementation projects and programmes, as well as facilitating ownership.
5	UN-Habitat should strengthen its capacity for preparation of project proposals in order to mobilize more resources for its projects.	Important	Yes	Director, Programme Division	31 July 2017	The issue of pre-investment to improve and strengthen the capacity for preparations of project proposals in support of resource mobilization is currently being addressed also considering best practices such as the Saudi Programme. It is expected that a clearer guidance would be given during the next the Senior Management Board retreat.
6	UN-Habitat should ensure that staff with resource mobilization responsibilities have the requisite knowledge and skills to enhance the effectiveness of resource mobilization efforts.	Important	Yes	Head, Donor Relations and Income Management		Research has been undertaken on the training required for those staff with resource mobilization functions. There is need for core resources to enable staff to undertake this training.
7	UN-Habitat should review its recruitment processes and ensure that recruitment activities are undertaken timely to support project implementation and maintain donor support.	Important	Yes	Director, Management and Operations	31 March 2017	As part of the implementation of Enterprise Risk Management (ERM), UN-Habitat will be reviewing soon risk factors slowing recruitment and devise mitigation actions. However, across the UN Secretariat current recruitment mechanism is showing similar tendency in the recruitment lead time. UN-Habitat is not exempted from Secretariat Rules and

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						Regulations. However we must distinguish different recruitment methods and different categories of Personnel. Recruitment for fixed term appointments is quite lengthy. Managers are advised by Habitat HR to conduct the staffing assessment and undertake consultation prior to decision taking on recruitment methods. More appropriate recruitment option for project staff is designed through temporary job opening, which significantly reduces recruitment lead time since posting of temporary job opening is shorter and such appointments are not subject of central review body clearance. In addition alternative personnel may be hired as consultants or individual contractors.
8	UN-Habitat should streamline its procurement process with a view to addressing the causes of delays in the process.	Important	Yes	Director, Management and Operations	31 January 2017	As part of its implementation of ERM, UN-Habitat intends to carry out an exhaustive analysis of risk factors delaying procurement with the aim to design mitigation actions. The implementation of Umoja and the current negotiation with UN Secretariat for increased procurement delegation are expected to improve procurement lead time.
9	UN-Habitat should update the Cost Allocation and Recovery Policy to clarify	Important	Yes	Director, Management	31 December 2016	UN-Habitat complies in full with donor agreements which specify

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	the need for both programme support costs and direct cost recovery and explain the rationale for charging them to projects.			and Operations		direct costs and overheads. Furthermore, UN-Habitat is currently updating its policy guidelines on cost recovery which clarify the need for both programme support costs and direct cost recovery and explain the rationale for charging them to projects.