



OIOS

Office of Internal Oversight Services

INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of water and sanitation trust fund activities in the United Nations Human Settlements Programme (UN-HABITAT)

Centralization does not adequately support operational needs at project sites and increases the potential for delays in implementing activities, causing disengagement of main local actors

5 August 2009

Assignment No. AA2008/250/02

United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

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

TO Ms. Anna Tibajuka, Executive Director
A United Nations Human Settlements Programme

DATE 5 August 2009

REFERENCE IAD: 09- 02771

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



SUBJECT **Assignment No. AA2008/250/02 - Audit of water and sanitation trust fund activities in the**
OBJET **United Nations Human Settlements Programme (UN-HABITAT)**

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we will not close any of the recommendations in the OIOS recommendations database as indicated in Annex 1. In order for us to close the recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 1, 2, 7, 9, 10 and 11), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Ms. Inga Björk-Klevby, Deputy Executive Director
Mr. Antoine King, Director, Programme Support Division, UN-HABITAT
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Mr. Jesus Lara Alonso, Officer-in-Charge, Joint Inspection Unit Secretariat
Mr. Moses Bamuwamye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Programme Officer, OIOS
Mr. Normand Ouellet, Chief, Nairobi Audit Service, OIOS

INTERNAL AUDIT DIVISION

FUNCTION

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

CONTACT INFORMATION

ACTING DIRECTOR:

Fatoumata Ndiaye: Tel: +1.212.963.5648, Fax: +1.212.963.3388,
e-mail: ndiaye@un.org

CHIEF, NAIROBI AUDIT SERVICE:

Normand Ouellet: Tel: +254.20.762.5391, Fax: +254.20.762.4125,
e-mail: normand.ouellet@unon.org

EXECUTIVE SUMMARY

Audit of water and sanitation trust fund activities in the United Nations Human Settlements Programme (UN-HABITAT)

OIOS conducted an audit of water and sanitation trust fund activities in the United Nations Human Settlements Programme (UN-HABITAT). The overall objective of the audit was to assess the adequacy of the arrangement for ensuring that water and sanitation project activities are implemented in accordance with the approved project documents and cooperation agreements (CAs). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

Centralization does not adequately support operational needs at project sites; it increases the risk of delays in implementing activities, causing disengagement of main local actors. The water and sanitation trust fund activities in various countries in Asia and Africa visited by OIOS were well received and appreciated by all the major stakeholders, including beneficiaries, local government authorities, and local communities and implementing partners. OIOS found that project activities contributed towards improving delivery of water and sanitation to poor people as mandated by the Millennium Development Goal 7 for Water and Sanitation. However, there is a need to strengthen the arrangements for oversight and support for activities both at Headquarters and project field operations in Laos, India, Nepal, Tanzania and Senegal. Toward this end, OIOS recommended that UN-HABITAT:

- Develop a comprehensive Operational Field Manual accompanied with adequate training in all administrative matters, and that a delegation of administrative responsibilities be established in the areas of signing CAs and streamlining and improving the approval and execution of most administrative actions currently delivered through UNON and UNDP.
- Finalize the terms of reference for the evaluation of the root cause of the problems with CAs activities and take corrective action, as appropriate, in order to expedite improvements and ensure project activities are implemented effectively and efficiently.
- Assist the project operations to strengthen administrative control over asset management and information technology infrastructure to ensure that assets in field operations are safeguarded.
- Use a more decentralized approach to improve local operations, increasing responsiveness and quality of delivery of services in the field offices, such as the granting of delegation of authority to project offices by establishing a regional (or sub-regional) operational framework. This framework could include the involvement of existing Regional Offices or the establishment of Programme Management Officer posts at the regional or sub-regional level.

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I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of water and sanitation trust fund activities in the United Nations Human Settlements Programme (UN-HABITAT). The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

2. UN-HABITAT set up a water and sanitation trust fund in 2003 to provide a fast-track mechanism to cities and small towns and enable them to reach out to the poor. The trust fund was established to contribute to the achievement of internationally agreed water and sanitation goals and related targets by supporting developing countries to create an enabling environment for enhanced flow of investment into the water and sanitation sector, specifically targeting the urban poor. UN-HABITAT works with partner countries in Asia, Africa, Latin America and Caribbean regions towards the progressive attainment of the Millennium Development Goals (MDGs) related to water and sanitation (WATSAN) activities. The goal as defined in the project document is to contribute to the achievement of the water and sanitation related MDGs/World Summit on Sustainable Development (WSSD) targets in urban areas, by supporting the creation of an enabling environment for pro-poor investment. This would be achieved through the following:

- Development of norms, standards and management toolkits for WATSAN sector;
- Promoting pro-poor investment through regional WATSAN programmes;
- Strategic support to pro-poor WATSAN initiatives at the local level; and
- Monitoring progress towards the WATSAN MDG/WSSD targets.

3. The water and sanitation trust fund project document approved an initial budget of \$12.87 million, with project activities that started in December 2003 and were completed in December 2007. Since inception, contributions to the trust fund amounted to approximately \$100 million for the period 2003 to May 2009. The main donors were the governments of Norway, Canada, Netherlands, Sweden, Poland and Spain. The programme combines normative, advocacy, monitoring and operational activities, facilitated by a combination of grants and loans. It is implemented through cooperating partnership agreements.

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

II. AUDIT OBJECTIVES

5. The main objectives of the audit were to:
- (a) Ensure that project activities were being implemented in line with project documents and cooperation agreements (CAs); and
 - (b) Assess the adequacy of the Water and Sanitation Branch arrangements for oversight and support of water and sanitation project activities.

III. AUDIT SCOPE AND METHODOLOGY

6. The audit focused on arrangements for oversight and support at Headquarters and on the implementation of project activities in the field offices in Africa and Asia for the period January 2006 to January 2009. During this period, actual expenditures incurred amounted to approximately \$62 million in relation to total contributions of about \$81 million.

7. The audit activities included reviewing and assessing risks and internal control systems, interviewing staff and management, visiting selected project activity sites, and reviewing and analyzing other available data in select sites in Tanzania, Senegal, Laos Peoples Democratic Republic (PDR), Nepal and India.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Alignment of project activities with project documents and cooperation agreements

Alignment of project activities with related project documents and cooperation agreements

8. Activities undertaken by the water and sanitation trust fund are funded within the following frameworks:

- Memoranda of Understanding (MOU) with governments of target countries;
- Project documents such as Water for African Cities (WAC), Water for Asian Cities (WAC) and for special initiatives for Lake Victoria Water and Sanitation (LVWATSAN) and the Mekong Region Water and Sanitation (MEK-WATSAN), which oversee the cooperation of major donors and target countries as well as development banks; and
- CAs, which identify the activities that partners should undertake as part of the overall interventions in each country or region. In the CAs, there are outputs, advancement stages, progress and completion reporting

requirements. Based on Programme Support Division (PSD) data, between 2004 and 2008, the Water and Sanitation Branch entered into 169 CAs, of which 93 (55 per cent) were subject to a no-cost extension due to delays in mobilization of partners or an underestimation of timelines as indicated in the next paragraph.

9. There was generally a good alignment between the activities undertaken, the project documents and the CAs signed. Between 2004 and 2008, the number of CAs in the audited project field offices was 122, distributed as follows: Laos, 21; Nepal, 44; India, 42; Tanzania, 7; and Senegal, 8. OIOS reviewed activities related to 20 CAs (or 12 per cent of all CAs). OIOS noted the following:

- In some cases, the selected partners did not possess the capacity required to undertake activities in line with the CAs and insufficient time was allotted to allow for their full mobilization; and
- Most activities involving construction work had recurrent variances between estimated and actual outputs, cost and/or timing of activities.

Recommendation 1

(1) The UN-HABITAT Administration should establish a mechanism to ensure that partners involved in the implementation of project activities possess, at a minimum, expertise to enable them to carry out activities outlined in the cooperation agreements. The cooperation agreements should include provisions for a reasonable period for partners to learn about the projects and requirements in order for them to fully undertake project activities at an acceptable level.

10. *UN-HABITAT accepted recommendation 1 and stated that the recommendation will be addressed as part of the evaluation of CAs to be carried out. The terms of reference for the evaluation will include the necessary provisions to develop guidelines on the selection of implementation partners and procedures for preparing budgets and work plans. The implementation time frame is estimated at 18 months.* Recommendation 1 remains open pending receipt of documentation showing that UN-HABITAT has established the recommended mechanism.

Inadequate mechanisms for planning and monitoring of project activities

11. UN-HABITAT plans and appraises activities based on financial contributions received from donors and according to its priorities as stated in the Medium-Term Strategic Plan (MTSP). Growth in the degree of geographical coverage and the prevalently extra-budgetary nature of UN-HABITAT funds require continuous verification of the availability of funds for planning purposes. The monitoring system is based on periodic reports from partners to project field offices and from project field offices to Headquarters. Missions undertaken to monitor progress and to validate data are generally organized on an ad hoc basis.

Headquarters also maintains a database on CAs in a shared drive in the office computer network.

12. Overall, the Water and Sanitation Branch was unable to demonstrate that the centralization of operations were effective in mitigating the reputational risks arising from the variance of unimplemented activities in the original plans as observed in paragraph 9:

- Among the seven cases reviewed as part of the Lake Victoria Water and Sanitation (LVWATSAN) programme, two CAs for capacity building with the local municipalities in Tanzania had been stalled: (a) due to problems in documenting the utilization of the first allotment of \$25,000; and (b) due to delays in mobilization. At audit reporting stage, the client stated that both cases had been resolved and activities had resumed;
- CAs, especially for construction work, lacked detailed costing, consideration for startup and mobilization time requirements and sufficient learning time in the initial planning stage. In the two Tanzania locations (Bukoba and Muleba), requirements for construction work lacked detailed designs and bills of quantities, which were introduced at a later stage in 2008 by a newly appointed engineer although the original designs and bills of quantities were produced in 2006;
- In two out of twenty cases, planned output was downscaled because of adverse rise in the construction material costs and exchange rate fluctuations. For example, in the programme for Water for African Cities (WAC) in Dakar, Senegal, the number of public toilets that were to be built in two areas in the outskirts of Dakar was reduced due to the high cost of construction materials;
- Delayed support from partners due to the unclear process requirements of both PSD and UNON impeded the implementation of Water for Asian Cities (WAC) programme activities; and
- Requirements to submit English reports to Headquarters coupled with field staff members' unfamiliarity with donor reporting requirements created additional problems in Francophone Africa.

13. In addition, monitoring reports in Tanzania lacked documentation on prompt follow-up on issues raised. In the monthly reports from the Tanzania Chief Technical Advisor (CTA), stalled works and other issues were reiterated for more than six months without any progress.

14. A planned evaluation of CAs, which could help in developing an understanding of the root causes for these variances, is still in the planning stage, due to delays in the formalization of its Terms of Reference (TOR).

Recommendation 2

(2) The UN-HABITAT Administration should finalize the terms of reference for the evaluation of the root causes of many problems with cooperation agreements activities and take corrective action, as appropriate, in order to expedite the improvement of operating conditions both at Headquarters and in project sites to ensure project activities are implemented effectively and efficiently.

15. *UN-HABITAT accepted recommendation 2 and stated that it is in the process of finalizing the terms of reference and carrying out the evaluation. The recommendation will be completed in 18 months.* Recommendation 2 remains open pending receipt of terms of reference on the evaluation of the root causes of the problems with CAs activities that have been identified and confirmation by UN-HABITAT of corrective action taken.

Petty cash

16. Each of the project field offices visited by OIOS has petty cash imprest accounts of \$3,000 to be used for small purchases in order to sustain the operations of the office. OIOS noted inadequate arrangements to oversee and manage the petty cash:

- The custodians in each of the field offices expended all the petty cash funds prior to seeking replenishment. In addition, the custodians did not receive replenishment even after five months and despite numerous requests and reminders to Nairobi, which made their operations difficult; and
- A policy on the use of petty cash funds in project field offices was received and kept by custodians, but they did not fully understand and comply with its requirements. Supervisors and/or Programme Management Officers (PMOs) had neither conducted cash counts nor checked cash balances in any of the project field offices since the establishment of the petty cash imprest accounts.

17. Field project offices faced a risk of inefficiencies and ineffectiveness in the implementation of projects.

Recommendation 3

(3) The UN-HABITAT Administration should review the petty cash operations in project field offices to ensure that the funds meet operational levels of each field office and that the policy on the use of petty cash is fully adhered to by each office.

18. *The UN-HABITAT Administration accepted recommendation 3 and stated that all petty cash custodians have copies of the applicable rules for the*

operation of petty cash accounts. They are required to certify that they have received the rules before the petty cash accounts are set up. It is agreed however that the system for managing petty cash accounts in the field offices can be improved. Recommendation 3 remains open pending receipt of documentation showing that UN-HABITAT has put mechanisms in place to ensure that petty cash operations in project field offices meet operational levels of each field office and that the policy in use is fully adhered to by each office.

Inadequate training for staff members in the project field offices

19. A mechanism does not exist to ensure that project field staff receive training on UN rules and regulations in administrative areas such as procurement and financial management. Discussions with field staff members showed that there was no systematic mechanism in place to ensure training needs were regularly assessed, reviewed and incorporated into the Performance Appraisal System (PAS). In addition, there was no adequate mechanism in place to ensure compliance with UN mandatory training for sexual harassment, ethics and basic and advanced security in the field, etc. All staff in the field acknowledged having received limited or no training at all in financial and administrative matters since joining the Organization.

20. The absence of a mechanism to provide adequate arrangements for training of project activity field staff on key operational procedures and tools, provision of services in critical areas such as financial, procurement, handling and processing of petty cash funds and replenishments exposes UN-HABITAT field offices to the risk of abuse or misuse of resources and non-compliance with UN rules and regulations.

Recommendations 4 and 5

The UN-HABITAT Administration should establish a mechanism:

(4) For a periodic and systematic assessment of training needs for project field staff, which should result in the development of a formal staff training plan linked to the Performance Appraisal System; and

(5) To ensure that all project field staff take the UN mandatory training on sexual harassment, ethics, and basic and advanced security in the field, etc. and file reports for control purposes.

21. *The UN-HABITAT Administration accepted recommendation 4 and stated that it will be implemented within 12 months.* Recommendation 4 remains open pending receipt of documentation that showing that staff training needs have been assessed and incorporated in their PAS.

22. *The UN-HABITAT Administration accepted recommendation 5 and stated that it will be implemented within 12 months.* Recommendation 5 remains

open pending receipt of documentation showing that a mechanism has been put in place to ensure that all project field staff have completed all mandatory training courses.

Information technology

23. The current arrangements for information technology (IT) in project field offices are inadequate:

- The IT network environment and policies and procedures on data compilation and protection are inadequate. Data remains in individual computers, hindering effective information and knowledge management; and
- Support to project field activity operations was inadequate resulting in staff using public e-mail systems for official business.

Recommendation 6

(6) The UN-HABITAT Administration should assess, identify and implement an information technology infrastructure to support its country level operations and requirements, including the appropriate use of e-mail in project field offices.

24. *The UN-HABITAT Administration accepted recommendation 6 and stated that with respect to the issue raised initially in the draft report regarding the use of unlicensed software, it should be noted that computers and software are either purchased in Headquarters or through UNDP and all software is licensed.* Recommendation 6 was modified and remains open pending receipt of documentation showing that an assessment was conducted to identify and implement an IT infrastructure to support its country level operations and requirements, including the appropriate use of e-mail in project field offices.

Country-level basic security in project field offices

25. There was no assurance that project field office operations had implemented the Minimum Operating Security Standards (MOSS) and Minimum Operating Residential Security Standards (MORSS). This poses a serious risk of security and safety of staff and property in field offices. For example, the offices did not have fire extinguishers and smoke detectors, perimeter wall, radio communication system and first aid kits. In Dakar, Senegal, there were no security services in staff residences. This issue was also pointed out by an official of the Department of Security and Safety (DSS).

Recommendation 7

(7) The UN-HABITAT Administration should establish control mechanisms to ensure compliance with the Minimum Operating Security Standards and Minimum Operating

Residential Security Standards for project field offices and staff residences.

26. *The UN-HABITAT Administration accepted recommendation 7 and stated that it will be implemented within 24 months.* OIOS acknowledges UN-HABITAT's response but urges it to implement the recommendation more urgently to ensure staff safety and security. Recommendation 7 remains open pending receipt of documentation showing that UN-HABITAT has established controls to ensure compliance with MOSS and MORSS.

Asset management

27. All project field offices visited by OIOS maintain inventory records in an Excel spreadsheet, which included some items whose value were not indicated. Therefore, OIOS could not establish the exact value of assets for project field offices as of December 2008. In addition, there was no assurance that the inventory records were complete and accurate as they did not match with the UN-HABITAT Headquarters records.

28. It was also difficult to quantify which assets were obsolete and/or not in use in the project field offices. Action had not yet been taken to dispose off assets already identified as obsolete.

29. As a result of these weaknesses, there is a risk of misappropriation and inadequate safeguarding of assets.

Recommendation 8

(8) The UN-HABITAT Administration, in consultation with the UNON Property Management Unit, should undertake a comprehensive and periodic physical inventory of project field office assets and reconcile the results with Headquarters records to ensure completeness and accuracy of asset records. Also, all obsolete items should be identified and appropriate action for their disposal initiated.

30. *The UN-HABITAT Administration accepted recommendation 8 and stated that it will be implemented within 24 months.* OIOS acknowledges UN-HABITAT's response but urges it to implement the recommendation more urgently to ensure adequate control over the Organization's assets. Recommendation 8 remains open pending receipt of documentation showing that a comprehensive physical inventory has been undertaken and that asset registers has been updated.

B. Arrangements for oversight and backstopping of project activities

Project site activities and offices

31. OIOS visited sites in Laos, Nepal, India, Tanzania and Senegal where UN-HABITAT implemented water and sanitation trust fund activities and noted that the activities were well received by beneficiaries, host governments and municipal institutions, among others. Implementation of these project activities contributed towards improving delivery of water and sanitation in those countries. A summary of results of our audit visits to project sites and offices is detailed in Annex 2.

32. However, due to widely varied UNDP services from one field office to another, reflecting different local conditions and involvement of the country-based UN-HABITAT Programme Manager (HPM), there is a risk of not being able to effectively support the programme activities at the country level because UN-HABITAT does not have an efficient and effective organizational structure to support operations at the country level. This situation, compounded with the lack of clarity in the respective roles, responsibilities and process requirements of PSD, UNON and UNDP negatively affect the organizational capability of the Water and Sanitation Branch and its project field offices to timely, efficiently and effectively respond to operational demands and expectations, ultimately resulting in delays in implementing activities and in the disengagement of staff, local partners and suppliers.

Recommendation 9

(9) The UN-HABITAT Administration should establish an organizational structure to support operations at the country level to ensure efficiency and effectiveness of field operations.

33. *The UN-HABITAT accepted recommendation 9 and stated that it will be implemented within 18 months.* Recommendation 9 remains open pending receipt of documentation showing the establishment of an organizational structure to support operations at the country level.

Services provided by UN-HABITAT PSD, UNON and UNDP

34. Staff members in project field offices and, to a certain extent, at Headquarters were not clear as to the respective roles and responsibilities of the UN-HABITAT Programme Support Division (PSD), the United Nations Office at Nairobi (UNON) and the United Nations Development Programme (UNDP). Some staff thought that services provided by these offices seem not to be driven by operational needs of the project field offices. The lack of clarity makes it difficult for field staff to identify who is responsible for specific functions, resulting in delays in the processing of payment to partners and petty cash replenishments.

Programme Support Division

35. PSD provides administrative support to UN-HABITAT substantive offices, including the Water and Sanitation Branch, at 13 per cent of total project costs as management support cost from extra-budgetary funds. Both Headquarters and project field offices reported dissatisfaction with the delays, which are perceived to be originating from PSD and the lack of clarity on roles, responsibilities and requirements. This lack of clarity was caused by the lack of formal procedure for identifying requirements, timelines and responsibilities for a protracted period of time. PSD indicated that it is developing and standardizing requirements for the CAs and developing a project manual to serve as a guide to staff for the entire project life cycle.

UNON

36. UN-HABITAT receives administrative services from UNON based on Service Level Agreements. Delays, however, are experienced in the provision of administrative support services such as payment to partners, petty cash replenishments and appointment of consultants. In a retreat organized by the African Section of the Water and Sanitation Branch in January 2009, action points were developed in collaboration with PSD and UNON to try to address those issues.

UNDP

37. Through a global Memorandum of Understanding signed between UN-HABITAT and UNDP, UN-HABITAT seeks services from UNDP world-wide where feasible. UNDP services have especially been utilized for local procurement, hiring of national staff and for channeling funds such as in the case of payment of Daily Subsistence Allowance (DSA) and petty cash for project field offices. There is no clear policy or instruction on when UNON can authorize UNDP to perform procurement locally in order to accelerate the process. However, the level of UNDP support has received varied level dissatisfaction from UN-HABITAT staff.

Recommendation 10

(10) The UN-HABITAT Administration should disseminate to all field staff a project manual that clarifies the roles, responsibilities and operational requirements of the Programme Support Division, UNON and UNDP.

38. *UN-HABITAT accepted recommendation 10 and stated that it will be implemented within 12 months.* Recommendation 10 remains open pending receipt of the project manual.

Delegation of authority to project field offices and accountability mechanism

39. The water and sanitation trust fund experienced tremendous growth in the past five years with expenditure increasing almost five-fold, from

approximately \$5 million in 2004 to approximately \$23 million in 2008 and its geographical reach to more regions of the world, from Africa and Asia to Latin America and the Arab region. However, between 2004 and 2008, the administrative arrangements in place remained highly centralized with decision-making and administrative functions mostly being made at Headquarters. Services rendered through UNON and UNDP could not efficiently sustain this growth. OIOS noted the following in all project field offices visited:

- Initiatives and approval of actions have been retained by UN-HABITAT and therefore field administrative operations have not been developed to facilitate actions and initiatives at the country level;
- Many actions on all operational and administrative requirements involved requesting for administrative actions for signature of CAs, processing consultant fees and progress payments to partners and suppliers at Headquarters;
- To some extent, staff complained of frequent delays in the implementation of activities while awaiting centralized administrative support from Headquarters but expressed willingness to take on more delegation of authority and the accompanying responsibilities;
- Most staff had received limited or no training at all in administration since joining the organization and reported limited face-to-face interaction or follow-up visits from administrative staff, mainly programme officers at Headquarters; and
- The current system of processing financial disbursements and payments requires all authorizations to be done through Nairobi. In fact, none of the project field offices that OIOS visited had been given any delegation of authority accompanied with the accountability framework nor have they been provided with imprest bank accounts together with technical expertise to facilitate timely processing of payments and operations of project field offices.

40. Centralized, lengthy administrative processes and inadequate site visits from programme officers did not help in identifying opportunities to improve the current operational arrangements for project activities. The centralized nature of operations also posed risks of delays in project implementation and in inefficiencies in field project operations.

Recommendations 11 and 12

The UN-HABITAT Administration should consider:

- (11) Granting delegation of authority to project operations that could include the involvement of existing Regional Offices and/or the establishment of sub-regional offices; and**

(12) The possibility of establishing imprest bank accounts and the assignment of a Programme Management Officer in field offices, accompanied with appropriate delegation of authority and accountability framework with responsibilities to manage and facilitate processing of administrative matters, including cash disbursements.

41. *The UN-HABITAT accepted recommendation 11 and stated that it would be implemented within 12 months.* Recommendation 11 remains open pending receipt of documentation showing the delegation of authority to project operations.

42. *The UN-HABITAT accepted recommendation 12 and stated that it would be implemented within 24 months.* Recommendation 12 remains open pending receipt of documentation showing the establishment of imprest bank accounts and the assignment of Programme Management Officer in field offices.

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	The UN-HABITAT Administration should establish a mechanism to ensure that partners involved in the implementation of project activities possess, at a minimum, expertise to enable them to carry out activities outlined in the cooperation agreements. The cooperation agreements should include provisions for a reasonable period for partners to learn about the projects and requirements in order for them to fully undertake project activities at an acceptable level.	Operational	High	0	Submission of documentation showing that UN-HABITAT has established the recommended mechanism.	31 January 2011
2	The UN-HABITAT Administration should finalize the terms of reference for the evaluation of the root causes of many problems with cooperation agreements activities and take corrective action as appropriate, in order to expedite the improvement of operating conditions both at Headquarters and in project sites to ensure project activities are implemented effectively and efficiently.	Operational	High	0	Submission of terms of reference on the evaluation of the root causes of the problems with cooperation agreements activities that have been identified and confirmation by UN-HABITAT of corrective action taken.	31 January 2011
3	The UN-HABITAT Administration should review the petty cash operations in project field offices to ensure that the funds meet operational levels of each field office and that the policy on their use is fully adhered to by each office.	Financial	Medium	0	Submission of documentation showing that UN-HABITAT has put mechanisms in place to ensure that petty cash operations in project field offices meet operational levels of each field office and that the policy in use is fully adhered to by each office.	31 January 2010
4	The UN-HABITAT Administration should establish a mechanism for periodic and systematic assessment of training needs for project field staff, which should result in	Human resources	Medium	0	Submission of documentation of staff training needs that have been assessed and incorporated in their PAS.	31 July 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O	Actions needed to close recommendation	Implementation date ²
5	the development of a formal staff training plan linked to the Performance Appraisal System. The UN-HABITAT Administration should establish a mechanism to ensure that all project field staff undertake the UN mandatory training for sexual harassment, ethics, and basic security in the field, etc. and file reports for control purposes.	Human resources	Medium	O	Submission of documentation showing that a mechanism has been put in place to ensure all project field staff have completed all mandatory training courses.	31 July 2010
6	The UN-HABITAT Administration should assess, identify and implement an Information Technology infrastructure to support its country level operations and requirements, including the appropriate use of e-mail in project field offices.	Information resources	Medium	O	Submission of documentation showing that an assessment was conducted to identify and implement an Information Technology infrastructure to support its country level operations and requirements, including the appropriate use of e-mail in project field offices.	31 July 2011
7	The UN-HABITAT Administration should establish control mechanisms to ensure compliance with the Minimum Operating Security Standards and Minimum Operating Residential Security Standards for project field offices and staff residences.	Operational	High	O	Submission of documentation showing that UN-HABITAT has established controls to ensure compliance with MOSS and MORSS.	31 July 2011
8	The UN-HABITAT Administration, in consultation with the UNON Property Management Unit, should undertake a comprehensive and periodic physical inventory of project field office assets and reconcile the results with Headquarters records to ensure completeness and accuracy of asset records. Also, all obsolete items should be identified and appropriate action for their disposal initiated.	Operational	Medium	O	Submission of documentation showing that a comprehensive physical inventory has been undertaken and updated asset registers maintained.	31 July 2010
9	The UN-HABITAT Administration should establish an organizational structure to support operations at the country level to ensure efficiency and effectiveness of field	Operational	High	O	Submission of documentation showing the establishment of an organizational structure to support operations at the country level	December 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/ ¹ O ¹	Actions needed to close recommendation	Implementation date ²
10	operations. The UN-HABITAT Administration should disseminate a project manual to all field staff that clarifies roles, responsibilities and operational requirements of the Programme Support Division, UNON and UNDP.	Governance	High	O	Submission of project manual.	31 July 2010
11	The UN-HABITAT Administration should consider granting delegation of authority to project operations that could include the involvement of existing Regional Offices and/or establishment of sub-regional offices.	Operational	Medium	O	Submission of documentation showing the delegation of authority to project operations.	31 July 2010
12	The UN-HABITAT Administration should consider the possibility of establishing imprest bank accounts and the assignment of a Programme Management Officer in field offices, accompanied with appropriate delegation of authority and accountability framework with responsibilities to manage and facilitate processing of administrative matters including cash disbursements.	Strategy	High	O	Submission of documentation showing consideration of the possibility of establishing imprest bank accounts and assignment of a Programme Management Officer, accompanied with appropriate delegation of authority and accountability framework with responsibilities to manage and facilitate timely processing of administrative matters including cash disbursements.	31 July 2011

¹ C = closed, O = open

² Date provided by UN-HABITAT in response to recommendations

OIOS VISITS TO PROJECT OFFICES AND OBSERVATION OF SITE ACTIVITIES

1. OIOS visited sites in Laos, Nepal, India, Tanzania and Senegal where UN-HABITAT implemented water and sanitation trust fund activities. Following is the summary of results of our audit visits to the project sites and offices:

Laos

2. OIOS visited and inspected the following projects in Luang Prabang:

- The community-based Water Supply and Sanitation project in Xieng Ngeun, Luang Prabang Province (MEK-WATSAN);
- The community-based Water Supply and Sanitation Project in Sayabouly, Sayboully Province (MEK-WATSAN); and
- The Northern and Central Regions Water Supply and Sanitation Sector project (NCRWSSP, WAC Programme).

3. All these activities were valued at a total of approximately \$1 million. Besides the inadequate administrative framework to support project activity implementation at the sites, no problem was noted.



Nepal

4. OIOS visited and inspected the following three project activities in Kathmandu:

- The community-based Water Supply and Sanitation Pilot project in the Peri-urban Community of Siddhipur within Kathmandu Valley;
- The pro-poor urban governance through Poverty Mapping and gender assessment, and enforcement of Urban Environmental Guidelines, and
- Water, Environmental Sanitation and Hygiene Programme for Urban Poor in Lubhu.

5. All these activities were valued at a total of approximately \$1.7 million. Besides the inadequate administrative framework to support project activity implementation at the sites, no problem was noted.



India

6. OIOS visited and inspected the following projects in New Delhi and Bhopal:

- The cooperation agreement for Water Aid on Slum Environmental Sanitation Initiative activities;
- The activities implemented by Gwalior Municipality in Kamaji Ka Pura, which are a community-managed water supply scheme (for 1,200 households) and a community-managed sewerage scheme;
- The community-managed sewerage scheme in Islampura;
- The community-managed sewerage scheme in Subhash Nagar;
- The rejuvenation of community toilets (120 families) in Jati Ki Line; and
- The value-based water and sanitation and hygiene project at Padma Raje Girls Higher Secondary School in Gwalior.

7. UN-HABITAT contributed a total of approximately \$600,000 towards these activities. Besides the inadequate administrative framework to support project activity implementation at the sites, no problem was noted.



Senegal

8. OIOS visited and inspected the following projects in Dakar:

- The water supply and sanitation in demonstration schools and Human Value Water Sanitation and Hygiene Education Programme as a component of the WAC Phase II Programme in Senegal (Manguier school group); and

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- The initiative to enhance access to safe water and sanitation in Malika and Keur Massar suburban areas in Dakar as a component of the WAC Phase II Programme.

9. All the activities were valued at a total of approximately \$1.5 million. Besides the inadequate administrative framework to support project activity implementation at the sites, no problem was noted.



Tanzania

10. OIOS visited and inspected the rehabilitated custom intake and two water reservoirs at Bukoba and spring intakes (Ihako Spring Intakes, Nyaruondo, Nyamuhara Intakes and Buyango mains), washing slabs (Magata), water kiosks and water points in Bukoba and Muleba, which were a part of Lake Victoria Water and Sanitation Initiative (LVWATSAN).

11. All the activities were valued at a total of approximately \$2.6 million, including the rehabilitation of infrastructures.



12. The site visit in Bukoba disclosed three garbage collection tractors that were idle at the Bukoba Municipality parking area.



13. UN-HABITAT stated that they were waiting for the registration of the vehicles under Tanzanian Government rules. This is not an activity that is within the control of the programme. The delays were also specific to Tanzania as the equipment has been put into operation in the towns in Kenya and Uganda.