



INTERNAL AUDIT DIVISION

AUDIT REPORT

Internal Governance in UN-HABITAT

UN-HABITAT has made progress in implementing the Medium Term Strategic and Institutional Plan. Finalization of strategic and operational details will enhance programme delivery and accomplishment of organizational goals.

23 September 2010

Assignment No. AA2009/250/02

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. Inga Bjork-Klevby, Officer-in-Charge
A: United Nations Human Settlements Programme

DATE: 23 September 2010

REFERENCE: IAD: 10- **00803**

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

Fatoumata

SUBJECT: **Assignment No. AA2009/250/02 – Audit of internal governance in UN-HABITAT**
OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendation 6 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining 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. Your response indicated that you did not accept recommendation 3. In OIOS' opinion however, this recommendation seeks to address a significant risk area. We are therefore reiterating it and requesting that you reconsider your initial response based on the additional information provided in the report.
4. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 8, 9, and 10, in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. Antoine King, Audit Focal Point, UN-HABITAT
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors
Ms. Susanne Frueh, Executive Secretary, Joint Inspection Unit
Mr. Moses Bamuwanye, Chief, Oversight Support Unit, Department of Management
Mr. Byung-Kun Min, Special Assistant to the USG-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).

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EXECUTIVE SUMMARY

Audit of internal governance in UN-HABITAT

The Office of Internal Oversight Services (OIOS) conducted an audit of internal governance in the United Nations Human Settlements Programme (UN-HABITAT). The overall objective of the audit was to assess whether the various areas of internal governance and related organizational structures and processes of UN-HABITAT were managed with integrity and competence in the best interests of the stakeholders, in a manner which enhances programme delivery. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

UN-HABITAT is in a transition period following the adoption of a six-year Medium Term Strategic and Institutional Plan (MTSIP) 2008-2013. This plan seeks to sharpen UN-HABITAT programme focus, promote alignment and coherence, and strengthen its catalytic role for the coordinated implementation of the Habitat Agenda and human settlements-related internationally agreed development goals. The leadership of the organization is also in transition with the departure of the current Executive Director from the organization in the third quarter this year. UN-HABITAT has put in place various structures, policies, strategies and processes which are at varying stages of implementation. Overall, the progress on the implementation of the MTSIP was satisfactory. However, there were opportunities for improvements as follows:

- The Resource Mobilization Unit (RMU) should expedite the finalization of the strategic and operational guidelines necessary for the implementation of its resource mobilization strategy;
- UN-HABITAT should request through the Department of Management, an amendment to the Secretary General's Bulletin ST/SGB/2002/14 on the "Organization of the Secretariat of the United Nations Human Settlements Programme" to align it to the organizational changes that have taken place as a result of the implementation of the MTSIP;
- The strategic planning functions should be centralized at the executive level in order to ensure effective accountability as they relate to overseeing the organization's overall strategic goals and outputs;
- UN-HABITAT needs to complete the Information and Communication Technology (ICT) strategy framework and policy to support the goals and objectives of the organization;
- UN-HABITAT needs to expeditiously establish a plan to store and make available the records which are vital in emergency situations;
- UN-HABITAT should review and test the United Nations Office at Nairobi (UNON) business continuity plan and disaster recovery site to ensure that their requirements for business continuity have been fully catered for and that the site is operational; and

- UN-HABITAT needs to expeditiously transfer all hosting and backup services of its servers to UNON.

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I. INTRODUCTION

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

2. The audit of governance in UN-HABITAT was considered to be of particular importance because the lack of appropriate governance structures may result in management not putting in place appropriate control mechanisms to ensure that strategies, directions and instructions for programme delivery are carried out systematically and effectively.

3. Resolution 56/206 of 21 December 2001 upgraded the United Nations Centre for Human Settlements, including the United Nations Foundation for habitat and human settlements, to a fully fledged programme as of 1 January 2002. The entity was named United Nations Human Settlements Programme (UN-HABITAT). The UN-HABITAT mandate is derived from the outcome of the Habitat Agenda, the Millennium Declaration, the Declaration on Cities and other Human Settlements, the Johannesburg World Summit on Sustainable Development (WSSD) and from the specific mandates given by various General Assembly and Governing Council Resolutions.

4. Within the United Nations, UN-HABITAT is the lead agency for coordinating and monitoring the progress of the implementation of the Habitat Agenda and it was also assigned the responsibility to report on the significant improvements to the lives of slum dwellers. The two main goals of the Habitat Agenda are: (a) adequate shelter for all; and (b) sustainable human settlements development, in an urbanizing world. UN-HABITAT also contributes to the monitoring of the Johannesburg declaration on sustainable development by including water and sanitation among its mandated responsibilities.

5. In April 2007, the Governing Council of UN-HABITAT approved a six-year Medium-Term Strategic and Institutional Plan (MTSIP) for 2008-2013. This plan seeks to sharpen the UN-HABITAT programme focus, promote alignment and coherence, and strengthen its catalytic role for the coordinated implementation of the Habitat Agenda and human settlements-related internationally agreed development goals. The plan identified six focus areas whose strategic goals are as follows:

- (a) To improve urban policies from local to the global level;
 - (b) To promote and improve inclusive decentralization, management and governance and stronger local authorities;
 - (c) To bring national and local governments as well as Habitat Agenda partners to implement improved land and housing policies for the sake of sustainable urbanization;
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(d) To expand access to environmentally sound basic infrastructure and services, with a special focus on the non-served and underserved populations;

(e) To improve access to sustainable financing for affordable housing and infrastructure; and

(f) To deliver the results planned under the Medium Term Institutional Plan effectively and efficiently.

6. Since attaining its programme status in 2002, UN-HABITAT has experienced significant increase in its contributions from \$118,328,553 (between 2002 and 2003) to \$323,256,140 (between 2008 and 2009). The total funding for the UN-HABITAT Programme for 2010/2011 stands at \$356 million, comprising of six per cent Regular Budget (RB) and 94 per cent Extra-Budgetary (XB) funds.

7. The Secretariat of UN-HABITAT is governed by ST/SGB/2002/14, on the “Organization of the Secretariat of the United Nations Human Settlements Programme” and is headed by the Executive Director. The organizational structure comprised of the Executive Office and five Divisions, namely: (i) Programme Support, (ii) Human Settlements Financing, (iii) Regional and Technical Cooperation, (iv) Monitoring and Research, and (v) Shelter and Sustainable Human Settlements Development.

8. The total number of posts in UN-HABITAT for the biennium 2008/2009 was 279 including 170 professional level posts, 103 local level posts and six other posts. For the biennium 2010/2011 this number is projected to increase to 302 comprising of 189 professional level posts, 106 local level posts and seven other posts. Twenty five per cent of the posts are financed from the Regular Budget (RB) and seventy five per cent from Extra-Budgetary (XB) funds.

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

II. AUDIT OBJECTIVES

10. The main objectives of the audit were to:

(a) Assess whether the governance and organizational structures and processes of UN-HABITAT are managed with integrity and competence in the interests of the stakeholders, in a manner which enhances programme delivery;

(b) Assess whether UN-HABITAT financial strategy and processes reflect its key strategic priorities needed to achieve MTSIP goals; and

(c) Assess whether UN-HABITAT reporting and evaluation information systems can adequately collect, report and evaluate information reliably.

III. AUDIT SCOPE AND METHODOLOGY

11. The audit focused on various aspects of internal governance in UN-HABITAT and included management of financial resources, organization structure, management of people, information and communication technology, performance management, reporting and accountability, knowledge management and risk management. The audit covered UN-HABITAT activities during the biennia 2008/2009 and 2010/2011 and included reviewing the internal governance structures and processes, interviewing staff and reviewing relevant documentation.

IV. AUDIT FINDINGS AND RECOMMENDATIONS

A. Management of financial resources

Need to complete strategic and operational guidelines for resource mobilization

12. The mechanisms to address the key resource mobilization requirements necessary for the successful implementation of the MTSIP had not been fully implemented. The Resource Mobilization Unit (RMU) has not fully instituted strategic and operational guidelines necessary to address the following:

- The imbalance in the organization's funding structure;
- The uncoordinated approach to raising funds; and
- The development of a central donors information system.

13. There was an imbalance in UN-HABITAT funding structure, which reduced the ability of the organization to act strategically in the implementation of its mandate. The imbalance was between the organization's earmarked and non-earmarked funding. UN-HABITAT is 80 per cent funded by its top ten donors. This placed heavy reliance on few donors whose contributions were unpredictable. In addition, 80 per cent of the total funding was earmarked for special programmes and operational activities. Although the top ten donors stressed the importance of UN-HABITAT normative role, they continued to earmark funds for special programmes and operational activities.

14. On the other hand, the Governing Council approved the MTSIP in order to sharpen UN-HABITAT programmatic focus areas. The MTSIP identified six areas, each focusing on a particular goal. The funding structure however, did not directly correlate to these focus areas. With the donors earmarking funds, UN-HABITAT had limited latitude within which it can allocate funds strategically to the six focus areas.

15. RMU also identified that there is an uncoordinated approach to fundraising. Most divisions were responsible for their own fund raising with limited, if any, liaison and coordination with the RMU. There was lack of a

coherent programmatic focus and prioritization. In addition, UN-HABITAT did not have a central donors information system. Separate donor databases were maintained within UN-HABITAT and they all worked on different systems that were not integrated.

16. In order to address these critical issues, RMU was established and started its operations in early 2008 as liaison and coordinator of fundraising activities in UN-HABITAT. One of their initiatives was to have joint annual consultation meetings with the donors to encourage them to donate to a “basket fund” as opposed to donating to specific projects. UN-HABITAT had already started approaching large donors individually, and in response, Sweden and Norway have already started using the basket fund approach. UN-HABITAT also adopted a corporate approach to donors as opposed to each division approaching donors for funding of their respective projects.

17. In order to guide the organization in the implementation of their resource mobilization strategy, RMU drafted the following documents in 2008: (a) Scope of work, (b) Implementing the resource mobilization strategy, (c) Resource mobilization guiding principles, (d) the guidelines for the organization’s fund raisers, (e) Terms of reference for country focal points, and (f) Resource mobilization strategy document, “Strategic Vision Implementation 2009”.

18. Apart from the scope of work and implementing the resource mobilization strategy 2009, all other documents were still in draft format and needed to be finalized. According to UN-HABITAT, the delay in finalizing other documents was due to staff shortages.

Recommendation 1

(1) UN-HABITAT should expeditiously finalize, adopt and implement: (a) the resource mobilization guiding principles, (b) the guidelines for the organization’s fund raisers, (c) the terms of reference for the country focal points and (d) the resource mobilization strategy document, “Strategic Vision Implementation 2009”.

19. *UN-HABITAT accepted recommendation 1 and indicated that it would be implemented by 31 December 2010.* Recommendation 1 remains open pending the receipt of (a) the resource mobilization guiding principles, (b) the guidelines for the organization’s fund raisers, (c) the terms of reference for the country focal points and (d) the resource mobilization strategy document, “Strategic Vision Implementation 2009”.

B. Organization structure

Need to amend ST/SGB/2002/14

20. The current organization structure of UN-HABITAT is not in accordance with ST/SGB/2002/14 on the Organization of the Secretariat of the United

Nations Human Settlements Programme. The functions of strategic planning, press and media activities and resource mobilization as depicted by the organization structure did not comply with the SGB. Under the current organigram, the strategic planning and information services functions are being performed by the Office of the Executive Director (OED). According to the SGB, however, these functions should be under the supervision of the Deputy Executive Director (DED). Currently, RMU reports to the DED but according to the SGB, the function falls under the OED.

21. The changes to the organizational structure arose from the need to align the organizational structure to the MTSIP. Ordinarily, changes in the organizational structure should be made in conjunction with amendment to the SGBs. OIOS acknowledges that the organization is in the middle of a transition with the implementation of the MTSIP and as such the organization structure is still evolving. Furthermore, the executive leadership is also in transition, with the current Executive Director departing in the third quarter this year and the arrival of a new Executive Director. These changes may lead to further re-structuring of UN-HABITAT.

22. With the existing and anticipated changes in the organization structure, there is a risk that in the long run the structure of the organization will bear no resemblance to the statutory instrument that governs it.

Recommendation 2

(2) UN-HABITAT should, through the Department of Management, amend the Secretary-General Bulletin ST/SGB/2002/14 to reflect the changes that have occurred as a result of the implementation of the Medium Term Strategic and Institutional Plan.

23. *UN-HABITAT accepted recommendation 2 and stated that the Secretary-General Bulletin ST/SGB/2002/14 would be amended once the incoming Executive Director takes office and makes necessary organizational changes. Recommendation 2 remains open pending the amendment of the Secretary-General's Bulletin to reflect organizational changes at UN-HABITAT, or pending information that no changes needed to be reflected in ST/SGB/2002/14 will take place.*

Need for consolidation and centralization of the strategic functions

24. UN-HABITAT strategic planning functions were being performed by both the OED and Programme Support Division (PSD), contrary to ST/SGB/2002/14. OED spearheaded the development and implementation of the MTSIP and at present it is responsible for the overall oversight of the MTSIP. PSD through its Programme Planning and Coordination Unit (PPCU) is responsible for overseeing the implementation and mainstreaming of results-based management (RBM) in UN-HABITAT, including coordinating training in RBM. It also provides guidance and direction to the Programme Review Committee (PRC) by ensuring that all the programme/project documents are in

compliance with the MTSIP. PPCU was also responsible for the production of the guideline on the Programme and Project Review Mechanism (PPRM). In addition to coordinating the medium term plans and work programmes, the unit provided guidance and direction to senior management during the review of the planning documents by the intergovernmental bodies and responded directly to queries from these bodies and staff in the organization on any of the above issues.

25. As per ST/SGB/2002/14, PSD functions as they relate to planning were of a support nature and they did not involve actual strategic functions. These include: (a) Ensuring that UN-HABITAT utilizes effective planning practices and procedures and keeps them under constant review; and (b) Coordination of medium-term plans and work programmes.

26. According to ST/SGB/2002/14, the strategic function resides with the Deputy Executive Director whose role entails “assisting the Executive Director in strategic planning and in the development of management tools and instruments to enhance the Programme’s ability to fulfill its mandate”. OIOS is of the view that Strategic planning and performance management are intrinsically related and should not be segregated. The separation of strategic functions has a negative effect on accountability, as it relates to overseeing of the organization’s overall strategic goals and outputs and may impede the implementation of the strategic goals.

Recommendations 3

(3) UN-HABITAT should consolidate and centralize its strategic functions at the executive level in compliance with ST/SGB/2002/14.

27. *UN-HABITAT did not accept recommendation 3 and stated that it does not agree with OIOS as it regards the core functions of the Programme Support Division as per ST/SGB/2002/14. Functions related to the implementation of RBB, the coordination of the PRC and the work programme currently done by the Programme Planning and Coordination Unit of Programme Support Division are consistent with the core functions of PSD as per ST/SGB/2002/14. Similarly in the United Nations Secretariat, the implementation of the RBB rests with the Office of Programme Planning, Budget and Accounts of the Department of Management and not the Executive Office of the Secretary General.*

28. OIOS appreciates the explanations given and agrees with the fact that RBB functions are consistent with the core function of the Programme Support Division, and this was not questioned in our report. The actual issue relates to RBM, which in our view is of a strategic nature that would best benefit if consolidated with other strategic functions (such as implementing the MTSIP), currently under the responsibility of the Office of the Executive Director. RBM is a way of managing whereby, an organization ensures that all its processes and services contribute to the achievement of desired results. It depends on clearly defined accountability for results, and requires systematic monitoring, self assessment and reporting on progress. While Results Based Budgeting (RBB) is a subset of RBM and is of a support nature, RBM goes significantly beyond by

looking at the overall organizational management environment and culture, including human resource management. Consolidating RBM functions with other strategic functions would therefore be consistent with ST/SGB/2002/14. OIOS is therefore requesting UN-HABITAT to re-consider its position in this regard. Recommendation 2 remains open pending the receipt of UN-HABITAT final decision on whether to consolidate or not, its strategic functions, in light of the clarifications provided by OIOS.

Non functional control mechanisms to manage United Nations Office at Nairobi (UNON) service delivery

29. UN-HABITAT was not complying with the control mechanisms that are in place to monitor the effectiveness and efficiency of the services that UNON provides. UNON was established to provide administrative services to UNEP and UN-HABITAT. An Executive Services Management Board (ESMB) was set up to manage UNON service delivery. ESMB is the policy making and oversight body that takes decisions pertaining to administrative and support services provided by UNON to UNEP and UN-HABITAT. ESMB is supposed to convene quarterly and it is comprised of the Executive Directors and Deputy Executive Directors of UNEP and UN-HABITAT, and it is chaired by the Director General (DG) of UNON. According to ST/SGB/2009/3 - Organization of the United Nations Office at Nairobi, the main responsibilities of ESMB are:

- Adopting long term policies, strategies and priorities, and setting operating principles and parameters for service delivery by UNON;
- Reviewing and approving UNON budgetary submission for regular budget and extra budgetary resources;
- Reviewing and monitoring on a regular basis, the quality, efficiency, effectiveness and timeliness of UNON service delivery;
- Proposing and monitoring, if necessary, remedial action plans and ensuring that appropriate and timely action is taken by the relevant service to rectify matters of concern, and where necessary, making proposals for aligning the organizational structure of UNON so that it meets client needs; and
- Monitoring and ensuring the implementation of the recommendations of oversight bodies.

30. A Client Advisory Committee (CAC) comprising of representatives from UNON, UNEP, and UN-HABITAT was in place to assess the quality, efficiency and timeliness of the service delivery. Both ESMB and CAC were not fully functional and have not had regular meetings. For example, no CAC meeting had taken place since August 2008 until recently (12 May 2010). According to UN-HABITAT the ESMB also met only once during 2009, consequently, there has been no forum where strategic issues pertaining to service delivery could be addressed. According to UN-HABITAT, the irregular ESMB meetings were due to the unavailability of the Chairman and the Executive Director (who is a board

member to the ESMB), both of whom are often on mission travels. In addition there were some transition issues regarding the chairmanship of the ESMB. The Chairman was also at the helm of two organizations as the Executive Director of UNEP and the Director General of UNON. The CAC terms of reference and other operational modalities such as the determination of the chairmanship were not clearly laid out. This responsibility rests with UNON. This situation has therefore resulted in the lack of ownership of the responsibility to convene meetings. According to UN-HABITAT, other forums and channels were used to monitor the effectiveness and efficiency of the services provided by UNON such as the monthly senior finance managers meetings between UNON, UN-HABITAT and UNEP, ICT committee and other ad-hoc meetings with UNON.

31. With the significant growth of UN-HABITAT over the past years, the need for administrative services also increased substantially but were not satisfactorily addressed and resulted in a negative impact on the effectiveness and efficiency of UNON service delivery. Furthermore, the Service Level Agreements (SLAs) between UNON and UN-HABITAT had not been reviewed in the past five years and no longer reflected the services initially envisioned. UN-HABITAT concurred that the SLAs need to be reviewed but believed that those SLAs still reflect the actual services rendered by UNON. However, the facts clearly showed that some administrative services normally rendered by UNON under the SLAs were actually being executed by UN-HABITAT. This was the case for example for the maintenance of software, Information Technology (IT) asset verification and updating of asset registers and the hosting and backup services of IT servers.

32. In addition, UN-HABITAT has created Liaison Officer positions to improve the efficiency of administrative services being provided by UNON in the areas of human resources and information technology.

33. While transferring services to UN-HABITAT may be a solution to ensuring the effectiveness in the provision of administrative services, it may be construed to be going against the spirit of the intended purpose of attaining economies of scale by having one organization manage the service delivery. In view of the fact that the solutions to this matter rest with UNON and an OIOS audit of governance in UNON is currently underway, no recommendation has been made on this matter in the present report.

C. Management of people

Need to resolve the skills gap

34. The steps required to resolve the skills gap identified by the change in strategic focus resulting from the implementation of the MTSIP have not yet been fully addressed, despite the fact that the MTSIP is in its third year of implementation. The MTSIP identified that both UNON and UN-HABITAT lacked the skills required for institutional reform. As a result, one of their objectives was to realign by 2011, human resources and managerial and administrative systems to effectively scale up the implementation of the MTSIP.

The MTSIP identified the following specific measures to be undertaken in human resources development:

- An organization-wide job evaluation and human resources needs assessment as a basis for strengthening and developing the skills necessary for the full implementation of the MTSIP;
- A review of the skills available within UN-HABITAT and reallocation of staff, where necessary, in accordance with United Nations system-wide policy on staff;
- On the job training of both locally and internationally recruited staff to reorient their skills towards the focus and result areas of the MTSIP; and
- Alignment of recruitment with focus areas of MTSIP, as well as consideration of possible buy-out options as part of this process and in line with the United Nations system-wide policy.

35. In their six monthly progress report on the MTSIP for the period ended 31 December 2009, UN-HABITAT acknowledged that after a preliminary assessment of skills, 60 per cent of the staff had their skills aligned to the MTSIP. According to UN-HABITAT, the core posts made up of 125 staff was 93% compliant by 31 December 2009. A staff skills survey which would enable UN-HABITAT to perform a skills gap analysis by the third quarter of 2010 was to be completed before the end of 2009. Although the staff survey has recently been launched, a detailed skills inventory has not yet been developed as a result.

36. While OIOS acknowledges that UN-HABITAT have realigned the recruitment process with the focus of MTSIP areas and results, and on the job training of staff is ongoing, a review of the skills available has not been conducted to enable the organization to assess the skills gap and appropriately address it. Without proper identification of skills gap, the organization may recruit staff with skills that are already present and may also not be in a position to identify appropriate training needs required to address those gaps. Overall, the lack of appropriate skills may hamper the effective implementation of the MTSIP.

Recommendation 4

(4) UN-HABITAT should expeditiously complete the skills identification exercise and establish a reliable skills database in order to ascertain the actual skills gap and address the gap in terms of the Medium Term Strategic and Institutional Plan objectives.

37. *UN-HABITAT accepted recommendation 3 and indicated that it would be implemented by 31 December 2010.* Recommendation 3 remains open pending receipt by OIOS of evidence that the skills identification exercise is completed and that the skills database has been established.

Need to streamline the Electronic Performance Appraisal System (e-PAS) reporting structure

38. The e-PAS reporting lines for the Programme Management Officers (PMOs) were not in line with the administrative Instruction ST/AI/2002/3 - Performance System Appraisal (PAS). Administrative Bulletin dated 10 June 2009 released by the Executive Director stipulated the e-PAS reporting lines of the Programme Management Officers (PMOs) as follows:

	First Reporting Officer (FRO)	Additional reporting	Second Reporting Officer (SRO)
Senior PMOs	Director of the Substantive Division	Chief Programme Support Services (PSS)/PSD	Director PSD
Junior PMOs	Senior PMOs in the Substantive Division		Chief, PSS/PSD

39. The Director of PSD also sent an e-mail to the divisions amending the Executive Director's Bulletin in which it stipulated the following:

	First Reporting Officer (FRO)	Additional reporting	Second Reporting Officer (SRO)
Junior PMOs	Branch/Section Chief	Senior PMOs in the Substantive Division	Chief PSS/PSD

40. The administrative instruction on Performance Appraisal System stipulates that the SRO be the FRO's supervisor. In the above-mentioned cases, both the Director of PSD and the Chief of PSS were not supervisors of the FROs.

Recommendations 5 and 6

(5) UN-HABITAT should comply with ST/AI/2002/3 on Performance Appraisal System as regards the second reporting officer of staff members.

(6) UN-HABITAT should communicate all changes to reporting lines through an administrative bulletin and not through e-mails.

41. *UN-HABITAT accepted recommendation 5 and stated that they would consult with the Office of Human Resources Management (OHRM) about the unusual reporting lines of the Programme Support Officers who operate in a matrix organizational setup. Recommendation 5 remains open pending the outcome of the consultations with OHRM.*

42. *UN-HABITAT accepted recommendation 6 and stated that with immediate effect, all communications would be through administrative bulletin.* Based on the assurance given by UN-HABITAT, recommendation 6 has been closed.

D. Information and communication technology

Lack of strategy and policy on Information and Communication Technology (ICT)

43. UN-HABITAT did not have a documented ICT strategy framework and policy to support the goals and objectives of the organization. UN-HABITAT had a total of 34 known stand alone ICT systems which were not integrated. Each division had its own ICT systems which met their own requirements and were mostly accessible to staff in that division/unit only. As a result information was not readily available within each department and across all the other divisions.

44. There was also a possibility that UN-HABITAT may design and implement programmes and/projects without identifying appropriate IT systems to enable them to achieve their objectives. A case in point is the Urban Finance Unit “ERSO” project which has already been launched and the required accounting system had not yet been designed, which may impede project implementation. Overall, this resulted in inefficiencies due to unnecessary duplication of IT systems throughout the organization, and difficulties in the sharing of information across UN-HABITAT.

45. IT maintenance and support costs were also higher as a result of having many different maintenance agreements with vendors. UN-HABITAT, however, explained that an organization-wide ICT strategy and policy is being drafted but that the completion thereof is awaiting the results of a consultant who is being hired to look into streamlining the systems.

Recommendation 7

(7) UN-HABITAT should expedite the completion of its draft Information Technology policy and strategy and implement it.

46. *UN-HABITAT accepted recommendation 7 and indicated that it would be implemented by 31 March 2011.* Recommendation 7 remains open pending receipt of evidence that the Information Technology policy and strategy has been completed and implemented.

Inadequate business continuity plans

47. UN-HABITAT did not have a business continuity plan for some of its IT systems and they had not identified critical records that ought to be protected. UN-HABITAT had also not tested the disaster recovery site for those systems that are hosted by UNON. UNON is responsible for UN-HABITAT business continuity plan and disaster recovery site. They are also responsible for hosting

UN-HABITAT servers. However, UN-HABITAT had some stand alone systems which were not on the UNON servers. Between 2006 and 2008, UN-HABITAT procured three servers to store data from some of its IT systems. These servers were hosted and backed-up by UN-HABITAT IT personnel. According to Information Services Section (ISS), the delay in transferring the servers was due to lack of capacity by UNON who only service UNIX servers as opposed to the Microsoft operating servers. This was in the process of being resolved and there is every intention to transfer these servers to UNON. In line with this, the organization has a draft SLA with UNON but the agreement had not yet been finalized.

48. Information Management Unit (IMU) is responsible for the coordination of identifying critical records. It has initiated the process but has not completed it. The target completion date for this exercise is the end of 2010. This is despite the fact that key staffs were trained in 2007 to identify critical records that ought to be protected. A policy on prevention, response and recovery of organization records was still in draft form. As a result, UN-HABITAT may not be in a position to continue with operations in the event of a disaster, due to loss of critical data and failure to recover IT systems in a timely manner. According to the 2010/2011 work plan, one of the outputs expected from PSD is the business continuity plan.

Recommendations 8 to 10

UN-HABITAT should:

- (8) Establish and implement a plan to store and make available the records which are vital in emergency situations;**
- (9) Expeditiously transfer all hosting and backup services of its servers to UNON; and**
- (10) Review and test the UNON business continuity plan and disaster recovery site to ensure operational effectiveness in the event of a disaster.**

49. *UN-HABITAT accepted recommendation 8 to 10 and stated that they would be addressed as part of the implementation of a Business Continuity Plan.* Recommendation 8 remains open pending the establishment of a plan for storing and making available the vital records in emergency situations. Recommendation 9 remains open pending the transfer of all hosting and back up services of UN-HABITAT servers to UNON. Recommendation 10 remains open pending the testing of the business continuity plan and the backup recovery site.

E. Performance management, reporting and accountability

Need to harmonize reporting

50. UN-HABITAT had multiple reporting needs for submission to the Economic and Social Council (ECOSOC) and to the General Assembly,

quarterly reporting to the Committee of Permanent Representatives (CPR) on non-earmarked extra budgetary resources, reporting to the Governing Council and six-monthly reporting to the office of the Controller on technical cooperation projects and trust funds. In addition, UN-HABITAT reports on the bi-annual work plan, the MTSIP and the MTSIP multiple year agreements with donors and other various donors who support UN-HABITAT.

51. As a result of this multiple funding reporting, UN-HABITAT secretariat's limited staff resources spend a significant amount of time reporting to the various stakeholders. Consequently, there were relatively high transaction costs, and increased risks of errors stemming from the manual inputs in the preparation of the reports. While it is noted that the extent to which some of the formats of the reporting can be changed is limited, there is potential to reduce the time taken to prepare these reports by automating the process and by harmonizing the content of the reports.

52. OIOS appreciates that UN-HABITAT has identified the need to streamline their reporting and efforts are being made to resolve this issue. UN-HABITAT is in the process of identifying synergies in reporting and is also encouraging the donors to accept harmonized reports. Therefore, OIOS is not making a recommendation in this regard.

F. Knowledge management

Lack of a knowledge management system

53. UN-HABITAT had not yet established a knowledge management policy and strategy. The organization did not have a coherent system of creating, organizing, storing and sharing information that will enable them to better achieve their goals and objectives. There was no common database in UN-HABITAT divisions. Currently each division/unit has its own database which is not shared with other divisions. This arrangement fosters silos within the organization. In addition, UN-HABITAT has an intranet website where all the divisions post their pertinent information and it is managed by the UN-HABITAT IMU. OIOS observed that this site is in some instances outdated because divisions/units did not forward their information for updating on time. This may result in duplication of efforts across the divisions and loss of opportunities derived from lessons learned from past programmes/projects.

54. The MTSIP identified the lack of in-house expertise in the area of knowledge management as one of the risks in implementing the plan. In response to this, management has engaged a consultant to develop a knowledge management strategy. The consultant has so far produced a preliminary report which confirms this deficiency. Both UN-HABITAT and the consultant have identified Enterprise Content Management system as ideal to facilitate knowledge sharing, however, the system will only be introduced after 2013. In the meantime, UN-HABITAT has identified interim solutions such as the introduction of a filing plan which will ease retrieval and storage of documents and the implementation of Documentum, a less sophisticated system. The implementation of the short-term measures is in progress.

G. Risk management

Lack of an enterprise wide risk management framework and policy

55. UN-HABITAT did not have an enterprise wide risk management framework and policy. In its MTSIP, UN-HABITAT identified risks pertaining to the implementation of the MTSIP. Although UN-HABITAT performed detailed risk analyses at the project level, there was no detailed risk analysis performed at the time of preparation of the strategic frameworks and work programmes.

56. An enterprise wide risk management framework would enable UN-HABITAT to proactively identify risks, measure and evaluate the potential impact of the risks to the achievement of objectives, and provide a framework for monitoring risks. This would also allow management to advise the Governing Council of significant risks so that appropriate actions to address the risks are taken on time.

57. In its 2010 draft work plan, PSD has indicated that by December 2010, an enterprise risk management framework policy would have been developed. In addition, the Joint Inspection Unit (JIU) is conducting a review of Enterprise Risk Management in the United Nations System Organizations. The objective is to review the risk management policy and practices across the United Nations with a view to identify best practices, lessons learned and make recommendations for improvement. The United Nations Secretariat has not yet developed guidance on organization-wide risk management frameworks and policies. In view of the current on-going initiatives on this issue, OIOS has not made a recommendation on this area in the present report.

V. ACKNOWLEDGEMENT

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

STATUS OF AUDIT RECOMMENDATIONS

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
1	UN-HABITAT should expeditiously finalize, adopt and implement: (a) the resource mobilization guiding principles, (b) the guidelines for the organization's fund raisers, (c) the terms of reference for the country focal points and (d) the resource mobilization strategy document, "Strategic Vision Implementation 2009".	Governance	Medium	O	Client to submit to OIOS evidence of the following finalized, adopted and implemented documents. (a) the resource mobilization guiding principles, (b) the guidelines for the organization's fund raisers, (c) the terms of reference for the country focal points and (d) the resource mobilization strategy document, "Strategic Vision Implementation 2009".	31 December 2010
2	UN-HABITAT should, through the Department of Management, amend the Secretary-General Bulletin ST/SGB/2002/14 to reflect the changes that have occurred as a result of the implementation of the Medium Term Strategic and Institutional Plan.	Governance	Medium	O	UN-HABITAT to provide to OIOS the amended ST/SGB/2002/14	31 December 2011
3	UN-HABITAT should consolidate and centralize its strategic functions at the executive level in compliance with ST/SGB/2002/14.	Governance	Medium	O	UN-HABITAT to provide to OIOS evidence that strategic functions have been centralized	Not provided.

Recom. no.	Recommendation	Risk category	Risk rating	C/O ¹	Actions needed to close recommendation	Implementation date ²
4	UN-HABITAT should expeditiously complete the skills identification exercise and establish a reliable skills database in order to ascertain the actual skills gap and address the gap in terms of the Medium Term Strategic and Institutional Plan objectives.	Governance	Medium	O	UN—HABITAT to provide to OIOS evidence that the skills identification exercise is complete and a skills database has been established.	31 December 2010
5	UN-HABITAT should comply with ST/AI/2002/3 on Performance Appraisal System as regards the second reporting officer of staff members.	Compliance	Medium	O	UN-HABITAT to provide to OIOS evidence of Office of Human Resources Management's opinion on the Program Management Officers' reporting lines.	31 March 2011
6	UN-HABITAT should communicate all changes to reporting lines through an administrative bulletin and not through e-mails.	Compliance	Medium	C	Action completed	Implemented
7	UN-HABITAT should expedite the completion of its draft Information Technology policy and strategy and implement it.	Information resources	Medium	O	UN-HABITAT to provide to OIOS the finalized Information Technology policy and strategy and evidence that it has been implemented.	31 March 2011
8	UN-HABITAT should establish and implement a plan to store and make available vital records in emergency situations.	Information resources	High	O	UN-HABITAT to provide evidence that it has established and implemented a plan to store and make available vital records.	31 December 2010
9	UN-HABITAT should expeditiously transfer all hosting and backup services of its servers to UNON.	Information resources	High	O	UN-HABITAT to provide to OIOS evidence that evidence the host servers have been transferred to UNON.	31 December 2010

Recom. no.	Recommendation	Risk category	Risk rating	C/O¹	Actions needed to close recommendation	Implementation date²
10	UN-HABITAT should review and test the UNON business continuity plan and disaster recovery site to ensure operational effectiveness in the event of a disaster.	Information resources	High	O	UN-HABITAT to provide to OIOS evidence that it has reviewed and tested the UNON business continuity plan and disaster recovery plan.	31 December 2010

1. C = closed, O = open

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