

21 December 2011

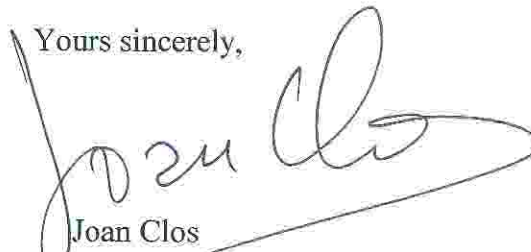
Dear Ms. Corazon C Chavez,

Draft audit report on UN-HABITAT programme in Palestine

Thank you for an opportunity to review the final draft report on the above mentioned audit. After reviewing the report I am pleased to confirm that UN-HABITAT fully accepts OIOS recommendation 1.

I have attached to this letter, Annex 1 indicating the action plan for implementation and I take this opportunity to thank OIOS for the services provided to UN-HABITAT during this audit.

Yours sincerely,



Joan Clos
Under Secretary-General and
Executive Director

Corazon C Chavez, Chief
Nairobi Audit Service
Internal Audit Division, OIOS

AUDIT RECOMMENDATIONS

Audit of UN-HABITAT Programme in Palestine

Rec no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client Comments
1.	The Executive Director of UN-HABITAT should ensure that the additional project support cost of 2 per cent is disclosed in all future project documents which form part of the donor agreements.	Important	Yes	Chief, Management Support Section	31 December 2012	Since 2003, UN-HABITAT projects have contributed 2% of budgeted expenditure to cover information, and monitoring and evaluation activities to ensure to ensure that a) projects are evaluated to draw lessons and best practices and ensure that information about projects is featured on the agency's information and advocacy products. In 2012, a new cost allocation and recovery policy is being introduced for all new projects that is in line with recommendations from the UN High Level Management Committee. The policy which costs are allocated directly to projects, and those which are covered by the standard programme support costs overhead. After an initial review period of six months, the policy will be applied to all projects.

¹ Critical recommendations address significant and/or pervasive weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.