



INTERNAL AUDIT DIVISION

REPORT 2018/077

Audit of the Research and Capacity Development sub-programme at the United Nations Human Settlements Programme

The sub-programme's effectiveness needs to be improved through development of detailed strategies for research, capacity development and resource mobilization

3 August 2018
Assignment No. AA2017/250/01

Audit of the Research and Capacity Development sub-programme at the United Nations Human Settlements Programme

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the Research and Capacity Development sub-programme at the United Nations Human Settlements Programme (UN-Habitat). The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring efficient and effective implementation of the sub-programme. The audit covered the period from January 2016 to December 2017 and included a review of management direction, achievement of intended results, and performance evaluation.

The audit showed that the sub-programme's effectiveness needs to be improved through development of detailed strategies for research, capacity development and resource mobilization.

OIOS made five recommendations. To address the issues identified in the audit, UN-Habitat needed to:

- Develop an organization-wide strategy for capacity development that articulates the expected results to be achieved, key activities to be implemented, the coordination mechanisms required, and the resources to be used to achieve the objectives;
- Develop an organization-wide research strategy to clarify the expected outcomes to be achieved, necessary activities to be undertaken, and resources to be mobilized for achieving its goals;
- Develop mechanisms to track the contribution of outputs of its research and capacity development activities to expected outcomes;
- Complete the feasibility study on formalization of the Urban Centres of Excellence to facilitate effective implementation of the New Urban Agenda; and
- Periodically evaluate the effectiveness of the Research and Capacity Development sub-programme in achieving organizational goals and objectives.

UN-Habitat accepted the recommendations but was yet to initiate action to implement them.

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Audit of the Research and Capacity Development Sub-programme at the United Nations Human Settlements Programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Research and Capacity Development Sub-programme at the United Nations Human Settlements Programme (UN-Habitat).
2. The General Assembly mandated UN-Habitat to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. In this regard, UN-Habitat has an important role concerning Agenda 2030, especially Goal 11 of the Sustainable Development Goals (SDG) on making cities and human settlements inclusive, safe, resilient and sustainable. In addition, as a focal point for the New Urban Agenda, UN-Habitat has a role to ensure coherent, effective and timely implementation of the Agenda and report on the impact achieved.
3. The Research and Capacity Development sub-programme is one of the seven focus areas in the UN-Habitat strategic plan (2014-2019) and related work programme and budgets. The sub-programme, which focuses on implementing the normative mandate of UN-Habitat, aims to improve knowledge on sustainable urbanization issues and capacity for the formulation and implementation of evidence-based policies and programmes at local, national and global levels. Therefore, UN-Habitat adopted a number of partner city, regional and national authorities and other partners with the capacity to formulate and implement evidence-based urban policies and programmes.
4. The Research and Capacity Development Branch of UN-Habitat was responsible for leading the implementation of the sub-programme. The Branch had four sub-units, as follows:
 - (a) The Global Urban Observatory Unit which focuses on improved monitoring of urban conditions and trends. For Agenda 2030, the Unit plays a key role in supporting the monitoring and reporting on the Urban SDG targets (mainly under Goal 11) and implementation of the New Urban Agenda;
 - (b) The Research Unit which focuses on improved knowledge of sustainable urbanization issues at local, national and global levels. It plays a key role in reporting on tracking the progress of the New Urban Agenda;
 - (c) The Capacity Development Unit which focuses on improved capacity of national and local authorities and partners to formulate evidence-based policies or programmes; and
 - (d) The Best Practices Unit for promoting the use of best practices by partners.
5. Both the New Urban Agenda and the Agenda 2030 on SDGs emphasize the need for capacity development and applying best practices. The four units of the Branch also collectively contribute to the UN-Habitat's City Prosperity Initiative, which is a global initiative that enables city authorities, as well as local and national stakeholders, to identify opportunities and potential areas of intervention for their cities to become more prosperous.
6. In UN-Habitat's work programme and budget for the 2016-2017 biennium, the sub-programme had a budget of \$27.4 million and provided for 25 staff posts (20 Professional and 5 General Service), to be funded by the Regular Budget (12 posts), and Foundation General Purpose (13 posts).

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

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

8. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring efficient and effective implementation of the Research and Capacity Development sub-programme at UN-Habitat.

9. This audit was included in the 2017 risk-based work plan of OIOS due to the risks associated with the sub-programme and their potential impact on implementation of the UN-Habitat mandate.

10. OIOS conducted this audit from February to May 2018 at UN-Habitat headquarters in Nairobi, Kenya. The audit covered the period from January 2016 to December 2017. Based on an activity-level risk assessment, the audit covered risk areas of the sub-programme which included management direction, achievement of intended results, and performance evaluation.

11. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) sample testing of various activities.

12. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

III. AUDIT RESULTS

A. Management direction

Need for a capacity development strategy

13. The United Nations Development Group defines capacity development as “the process whereby people, organizations and society as a whole unleash, strengthen, create, adapt, and maintain capacity over time, in order to achieve development results”. In the context of UN-Habitat, capacity development is critical to enable national and local governments to plan and manage urbanization in a sustainable, inclusive and equitable manner. This is an essential prerequisite in meeting the goals for the New Urban Agenda and the Agenda 2030 on Sustainable Development (particularly SDG 11). UN-Habitat is mandated to provide this capacity development to key stakeholders to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. The adoption of the two Agendas and changes in stakeholder needs and expectations necessitate an agile, proactive strategic response by the sub-programme to deliver valuable results.

14. A basic principle in the UN-Habitat Results Based Management Handbook is that results planning must start with the desired change (outcome/impact) and then identify the outputs, activities and inputs required to achieve them. This involves identifying specific, measurable, attainable, realistic and time bound (SMART) objectives/strategic results to be achieved; organizing or creating the means required; establishing performance measurement frameworks; and determining the resources required. In this way, planning provides a basis for implementation, monitoring, reporting and evaluation of processes, and directs all steps in their sequence.

15. In the 2016-2017 UN-Habitat programme of work and budget, the expected accomplishment for the Capacity Development component of the sub-programme was "improved capacity of national and local authorities and partners to formulate evidence-based policies or programmes". The accompanying indicator

of achievement was “increased number of partner national and local authorities and other Habitat Agenda partners that are formulating evidence-based policies or programmes” with a target set at 20.

16. UN-Habitat was yet to develop a detailed strategy for capacity development in the organization. While the broad, high-level approach was summarized in the UN-Habitat strategic plan for 2014-2019, the strategic framework for 2016-2017, and UN-Habitat work programmes and budgets, there were no strategic plans detailing the specific results (outcome and impact) to be achieved, and the activities to be performed (including timing, risks to be managed, outputs to be achieved, and resources needed). Generally, there was an increase in demand for technical assistance to Member States but resources to cope with the demand were dwindling and no new financing mechanisms had been developed.

17. In the UN-Habitat programme of work and budget for 2016-2017, there were capacity development responsibilities (which included training courses, seminars and workshops) under the Executive Direction and Management Office and all the seven sub-programmes of UN-Habitat. With capacity development activities taking place throughout the organization, there was need to assure that the activities were implemented coherently and complemented each other to achieve maximum impact for the resources used. This could avoid wastage of resources on activities that may not add value to the organization. During the audit, key staff mentioned that at a time when UN-Habitat’s core resources have been reducing significantly, the sub-programme has been particularly affected, impacting the implementation of its activities and achievement of its goals and objectives.

18. In the absence of a strategy, adequate resources may not be mobilized, risks may not be adequately managed, necessary actions may not be coordinated or taken in a timely manner, and performance measurement and monitoring may not be objective. This could result in non-achievement of expected outcomes/impact for the various capacity development activities undertaken.

(1) UN-Habitat should develop an organization-wide strategy for capacity development that articulates the expected results to be achieved, key activities to be implemented, the coordination mechanisms required, and the resources to be used to achieve the objectives.

UN-Habitat accepted recommendation 1 and stated that it will develop a strategy for capacity building that supports its implementation of the New Urban Agenda and Goal 11 of the SDGs. Recommendation 1 remains open pending receipt of an organization-wide strategy for capacity development.

Need for a research strategy for the organization

19. Research comprises creative and systematic work undertaken to increase the stock of knowledge, and the use of such knowledge to devise new applications. Research activities undertaken by UN-Habitat are expected to provide impactful solutions to challenges faced by the organization and its stakeholders. In UN-Habitat’s programme of work and budget for 2016-2017, the expected accomplishment for the research component of the sub-programme was "improved knowledge of sustainable urbanization issues at the local, national and global levels". This was complemented with two indicators of achievement: (i) number of local and national governments that have used UN-Habitat flagship publications and best practices database for policy formulation (Targets - Local governments: 350, and National Governments: 30); and (ii) increased number of partner countries producing national cities reports to enhance local and national policy planning (Target: 13).

20. There was no documented strategy indicating the outcomes and impact to be produced by research activities, and the means to achieve them. UN-Habitat’s flagship report “World Cities Report” was the

only main output defined for research activities. The report was conceptualized, prepared, edited and finalized by the Research Unit with inputs from consultants, expert group meetings and branch leadership. The Research Unit comprised of only one professional staff and an internal consultant. The Research Unit was under-resourced which could have adverse impact on the quality, hence reliability, of its products. The last evaluation of the impact achieved by the flagship reports was in 2014.

21. At regional offices, key staff observed that there were inadequate mechanisms for collecting and sharing the knowledge generated from implementing field projects. While normative knowledge from headquarters was valuable, it is equally important to tap the knowledge from the field.

22. UN-Habitat defined best practices as “initiatives which make outstanding contributions to improving the quality of life in cities and communities around the world”. The Best Practices Unit within the Research and Capacity Development Branch maintained a best practices database to support policy formulation by stakeholders and reported over 4,000 proven solutions to common social, economic and environmental problems from 140 countries. However, the Unit faced challenges in collecting best practices for the database and sharing them with Member States through an appropriate platform. Also, the database was not aligned to the New Urban Agenda and SDGs.

23. In the absence of a documented strategy, it was not clear what impact the research activities were having in informing the policy decisions of stakeholders, and how it was contributing to UN-Habitat's overall goal of achieving sustainable urban development.

(2) UN-Habitat should develop an organization-wide research strategy to clarify the expected outcomes to be achieved, necessary activities to be undertaken, and resources to be mobilized for achieving its goals.

UN-Habitat accepted recommendation 2 and stated that it will develop a strategy for research that supports its implementation of the New Urban Agenda and Goal 11 of the SDGs. Recommendation 2 remains open pending receipt of an organization-wide research strategy.

B. Achievement of intended results

Need for mechanisms to measure the achievement of expected outcomes

24. According to the UN-Habitat Results Based Handbook, well-written strategic results/objectives should be SMART. The outputs, expected accomplishments and indicators of achievement for the Research and Capacity Development sub-programme were included in UN-Habitat's approved 2016-2017 programme of work and budget.

25. The United Nations Secretariat uses the Integrated Monitoring and Documentation Information System (IMDIS) to monitor the implementation of programmes across the organization. Once the programme of work and budget was approved for UN-Habitat, the expected outputs were entered in IMDIS and thereafter, the related activities were monitored. According to IMDIS data accessed on 19 March 2018, 133 out of 156 (85 per cent) outputs had been completed. Thirteen outputs (or 8 per cent) were cancelled mainly due to lack of funds while 10 outputs (or 6 per cent) were postponed. Therefore, in terms of outputs, the achievements met the performance expectations in the approved programme of work and budget.

26. However, once outputs were achieved, there were inadequate mechanisms to track their contribution to expected outcomes and impact. For example, during the 2016-2017 biennium, while UN-Habitat held expert group meetings, produced recurrent and non-recurrent publications, and undertook

training activities, there were no defined systems to measure the contribution of these activities and outputs to improvement of knowledge of sustainable urbanization issues at the local, national and global levels or improvement in the capacity of national and local authorities and partners to formulate evidence-based policies and programmes.

27. The absence of systems for tracking outputs to outcomes achieved could result in underreporting of achievements and failure to detect activities that do not contribute to achievement of UN-Habitat's goals.

(3) UN-Habitat should develop mechanisms to track the contribution of outputs of its research and capacity development activities to expected outcomes.

UN-Habitat accepted recommendation 3 and stated that it will implement it with due regard to the just introduced budget reform process which has taken effect from 2018. Recommendation 3 remains open pending receipt of evidence that a mechanism is developed to track the contribution of outputs to expected outcomes.

Need to complete feasibility study on formalization of Urban Centres for Excellence

28. Both the strategic framework and the programme budget for UN-Habitat for the 2016-2017 biennium included setting up an urban centre for excellence. In the strategic framework, it was stated that "a UN-Habitat Urban Institute of Excellence will be established to provide tailored services to all Habitat Agenda partners". The programme budget provided for "formalization of the Urban Centre of Excellence to support the New Urban Agenda". This was expected to contribute to improved capacity of national and local authorities and partners to formulate evidence-based policies or programmes.

29. At the time of the audit (April 2018), the UN-Habitat Urban Centre of Excellence had neither been established nor formalized. A call for expression of interest was issued on 26 August 2016 for partnership and hosting of the centre, whose mission was "to enhance knowledge, learning, knowhow and innovation needed to face the challenges and opportunities of a rapidly urbanizing world". However, on 5 September 2016, UN-Habitat cancelled the expression of interest stating that it was published in error. UN-Habitat stated that multiple centres of excellence were needed to cater for different regions. To this end, UN-Habitat stated that it had requested the Research and Capacity Development Branch to develop necessary feasibility study reports but these have not been completed.

30. Non-formalization of the Urban Centres of Excellence could adversely affect UN-Habitat's ability to adequately provide essential services for accomplishment of New Urban Agenda Goals.

(4) UN-Habitat should complete the feasibility study on formalization of the Urban Centres of Excellence to facilitate effective implementation of the New Urban Agenda.

UN-Habitat accepted recommendation 4 and stated that it will implement it in the context of the New Urban Agenda. Recommendation 4 remains open pending receipt of results of the feasibility study on formalization of Urban Centres of Excellence.

C. Performance evaluation

Need for evaluation of the sub-programme's performance

31. The last evaluation of the Research and Capacity Development sub-programme was conducted in June 2014. In January 2016, the Executive Director of UN-Habitat informed programme managers that all

projects above \$300,000 should have an evaluation budget. However, since the Research and Capacity Development sub-programme did not have projects exceeding this threshold, no funds were budgeted for the sub-programme's evaluation even though it had an overall approved budget of \$27.4 million for the 2016-2017 biennium.

32. Without periodic evaluation, stakeholders may not be adequately informed of the sub-programme's activities and their impact on achievement of the Organization's goals and objectives.

(5) UN-Habitat should periodically evaluate the effectiveness of the Research and Capacity Development sub-programme in achieving organizational goals and objectives.

UN-Habitat accepted recommendation 5 and stated that it will implement it in line with its evaluation policy and practices and within the limitations of available resources. Recommendation 5 remains open pending receipt of information on the action taken by UN-Habitat in this regard.

IV. ACKNOWLEDGEMENT

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

(Signed) Eleanor T. Burns
Director, Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

ANNEX I

Audit of the Research and Capacity Development Sub-programme at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UN-Habitat should develop an organization-wide strategy for capacity development that articulates the expected results to be achieved, key activities to be implemented, the coordination mechanisms required, and the resources to be used to achieve the objectives.	Important	O	Receipt of an organization-wide strategy for capacity development.	31 December 2018
2	UN-Habitat should develop an organization-wide research strategy to clarify the expected outcomes to be achieved, necessary activities to be undertaken, and resources to be mobilized for achieving its goals.	Important	O	Receipt of an organization-wide research strategy.	31 July 2019
3	UN-Habitat should develop mechanisms to track the contribution of outputs of its research and capacity development activities to expected outcomes.	Important	O	Receipt of evidence that a mechanism is developed to track contributions of outputs to expected outcomes.	31 December 2018
4	UN-Habitat should complete the feasibility study on formalization of the Urban Centres of Excellence to facilitate effective implementation of the New Urban Agenda.	Important	O	Receipt of results of the feasibility study on formalization of Urban Centres of Excellence.	31 March 2019
5	UN-Habitat should periodically evaluate the effectiveness of the Research and Capacity Development sub-programme in achieving organizational goals and objectives.	Important	O	Receipt of information on the action taken by UN-Habitat in this regard.	31 July 2019

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

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

³ C = closed, O = open

⁴ Date provided by UN-Habitat in response to recommendations.

APPENDIX I

Management Response

UN HABITAT
UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME
Programme des Nations Unies pour les établissements humains
Programa de las Naciones Unidas para los Asentamientos Humanos
OFFICE OF THE EXECUTIVE DIRECTOR

Nairobi, 25 July 2018

Gurpur N. Kumar, Deputy Director
Internal Audit Division, OIOS

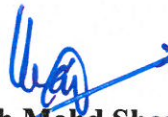
Subject: **Draft report on the Audit of the Research and Capacity Development Sub-programme at the United Nations Human Settlements Programme**

Dear Mr. Kumar

I am pleased to present our comments to the above-mentioned report in the attached Appendix I.

We would take this opportunity to thank OIOS for the services provided to UN-Habitat.

Yours sincerely,



Maimunah Mohd Sharif
Under-Secretary-General and
Executive Director

Management Response

Audit of the Research and Capacity Development Sub-programme at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UN-Habitat should develop an organization-wide strategy for capacity development that articulates the expected results to be achieved, key activities to be implemented, the coordination mechanisms required, and the resources to be used to achieve the objectives.	Important	Yes	Coordinator, Research and Capacity Development Branch	31 December 2018	UN-Habitat accepts the recommendation and will develop a strategy for capacity building that supports its implementation of the New Urban Agenda (NUA) and Goal 11 of the Sustainable Development Goals (SDG).
2	UN-Habitat should develop an organization-wide research strategy to clarify the expected outcomes to be achieved, necessary activities to be undertaken, and resources to be mobilized for achieving its goals.	Important	Yes	Coordinator, Research and Capacity Development Branch	31 July 2019	Same as above
3	UN-Habitat should develop mechanisms to track the contribution of outputs of its research and capacity development activities to expected outcomes.	Important	Yes	Coordinator, Research and Capacity Development Branch	31 December 2018	UN-Habitat accepts the recommendation and will implement it with due regard to the just introduced Budget Reform process which has taken effect from 2018.
4	UN-Habitat should complete the feasibility study on formalization of the Urban Centres of Excellence to facilitate effective implementation of the New Urban Agenda.	Important	Yes	Coordinator, Research and Capacity Development Branch	31 March 2019	UN-Habitat accepts the recommendation and will implement it in the context of the New Urban Agenda.
5	UN-Habitat should periodically evaluate the effectiveness of the Research and Capacity Development sub-programme in achieving organizational goals and objectives.	Important	Yes	Coordinator, Research and Capacity Development Branch	31 July 2019	UN-Habitat accepts the recommendation and will implement it in line with its evaluation policy and practices and within the limitations of available resources.

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

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