



INTERNAL AUDIT DIVISION

REPORT 2018/094

Audit of the United Nations Human Settlements Programme in Barcelona

**There was need to ensure programme
sustainability and improve the reporting of
their impact**

**12 October 2018
Assignment No. AA2018/250/01**

Audit of the United Nations Human Settlements Programme in Barcelona

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Human Settlements Programme (UN-Habitat) in Barcelona. The objective of the audit was to assess the adequacy and effectiveness of internal controls in ensuring effective implementation of UN-Habitat's programme in Barcelona. Based on an activity-level risk assessment, the audit covered risk areas relating to the Global Water Operators' Partnerships Alliance (GWOPA) Secretariat and the City Resilience Profiling Programme (CRPP) which included: (a) management direction; (b) achievement of intended results; (c) financial management; and (d) performance monitoring and reporting. The audit covered the period from 1 June 2015 to 31 July 2018.

The audit showed that UN-Habitat needed to ensure the sustainability of its programmes in Barcelona and improve the reporting of their impact.

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

- In collaboration with the GWOPA Secretariat, prepare a contingency plan by considering the various viable scenarios for the GWOPA Secretariat in view of the current uncertainties;
- Ensure that implementation of relevant Agenda 2030 Sustainable Development Goals' targets and indicators of achievement are appropriately reflected in the strategy and work plans of the GWOPA Secretariat;
- In collaboration with the GWOPA Secretariat, intensify its resource mobilization efforts to ensure the sustainability of the GWOPA Secretariat and its activities;
- Ensure that GWOPA's work plans and annual reports are focused on achievement of results that are relevant to the problems being addressed;
- Develop and implement plans to upscale the implementation of the City Resilience Profiling Tool; and
- Develop a mechanism for knowledge management to retain institutional knowledge relating to CRPP.

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

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Audit of the United Nations Human Settlements Programme in Barcelona

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Human Settlements Programme (UN-Habitat) in Barcelona.
2. UN-Habitat is mandated by the General Assembly to promote socially and environmentally sustainable towns and cities with the goal of providing adequate shelter for all. UN-Habitat has important roles regarding achievement of the Agenda 2030 Sustainable Development Goals (SDGs), such as Goal 6 (ensuring availability and sustainable management of water and sanitation for all) and Goal 11 (making cities and human settlements inclusive, safe, resilient and sustainable).
3. At its two offices in Barcelona, UN-Habitat implemented two programmes: (a) the Global Water Operators' Partnership Alliance (GWOPA) as part of its Urban Basic Services sub-programme, whose objective is to increase equitable access to urban basic services and the standard of living of the urban poor; and (b) the City Resilience Profiling Programme (CRPP) which is part of the Risk Reduction, Rehabilitation and Urban Resilience sub-programme and whose objective is to increase the resilience of cities to the impacts of natural and human-made crises and undertake rehabilitation in ways that advance sustainable urban development.
4. GWOPA was established in 2007 to serve as a mechanism to foster collaboration between water supply and sanitation utility organizations to help meet Millennium Development Goal targets for water and sanitation. GWOPA's vision is that water and sanitation operators help each other to achieve universal access to sustainable water and sanitation services through not-for-profit peer support partnerships. These partnerships were intended to enable public operators develop strong technical, financial and management capacity to be able to provide a sustainable, high quality service to all.
5. CRPP focuses on making cities resilient through local governments by providing the tools and knowledge required to build their capacity to prepare, respond and recover from all shocks and stresses, leading them to sustainability. It provides cities the necessary framework and approach to evaluate urban resilience and develop Actions for Resilience tailored to the city. Its primary tool is the City Resilience Profiling Tool.
6. The GWOPA Secretariat and CRPP were funded through extra-budgetary resources. GWOPA's income and expenditure up to July 2018 totaled \$13.7 million and \$12.9 million, respectively. CRPP's income and expenditure up to July 2018 totaled \$6.6 million and \$3.4 million, respectively. The Government of Spain provided office accommodation and also contributed funds to GWOPA and CRPP.
7. As of July 2018, GWOPA had four professional staff members, one General Service staff on a cost-sharing basis, and one consultant. CRPP had one professional staff member, one General Service staff on a cost-sharing basis, and 17 consultants.
8. Comments provided by UN-Habitat are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

9. The objective of the audit was to assess the adequacy and effectiveness of internal controls in ensuring effective implementation of UN-Habitat's programme in Barcelona, which comprised of the GWOPA Secretariat and CRPP.

10. This audit was included in the 2018 risk-based work plan of OIOS due to the risks associated with the two programmes and their potential impact on implementation of UN-Habitat’s mandate.

11. OIOS conducted this audit in June and July 2018 at the UN-Habitat offices in Nairobi, Kenya and Barcelona, Spain. The audit covered the period from 1 June 2015 to 31 July 2018. Based on an activity-level risk assessment, the audit covered risk areas relating to the GWOPA Secretariat and CRPP which included: (a) management direction; (b) achievement of intended results; (c) financial management; and (d) performance monitoring and reporting.

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

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

III. AUDIT RESULTS

A. Global Water Operators’ Partnership Alliance

1. Management direction

Need to develop a contingency plan for the GWOPA Secretariat

14. The GWOPA Secretariat was established at UN-Habitat’s headquarters in Nairobi, Kenya, in 2009 and was moved to Barcelona, Spain in 2013. The decision for this move was mainly based on financial considerations – UN-Habitat needed long-term, stable financing to implement GWOPA activities. Other considerations included: availability of suitable office accommodation, meeting and conference facilities, and information technology infrastructure; centrality of location and good logistics and transport networks; and support of the host government and city. After issuing a call for expression of interest to Member States and evaluating the proposals received from three potential hosts, UN-Habitat selected the city of Barcelona, supported by the Government of Spain, to host the GWOPA Secretariat.

15. The host country and city agreed to support UN-Habitat for five years (2013 to 2017). The host provided office accommodation and financial support amounting to Euro 5.5 million (equivalent to \$6.55 million) which was disbursed through annual contributions of Euro 1.1 million (equivalent to approximately \$1.31 million). In addition, there were contributions of Euro 700,000 (equivalent to \$832,699) from the Barcelona City Council. With this support, GWOPA could meet staff costs, office expenses and operational costs.

16. The GWOPA Secretariat stated that UN-Habitat had requested the host country to continue supporting the programme. However, at the time of the audit, no feedback was received from the host country in this regard. OIOS was informed that in case the host country’s support does not materialize, UN-Habitat may issue a fresh call for expression of interest to host the GWOPA Secretariat. In June 2018, GWOPA received an offer of \$1 million from the Organization of Petroleum Exporting Countries (OPEC) Fund for International Development to support a project on “promotion of Water Operators’ Partnership in Africa and Asia Pacific”. The GWOPA Secretariat stated that UN-Habitat’s Legal Unit was reviewing a new agreement with the Institute for Water Education for Euro 299,460 (equivalent to \$346,766).

17. Without the support of the host country, it is challenging for UN-Habitat to continue operating the GWOPA Secretariat in the same location and with the same organization structure. The GWOPA

Secretariat stated that UN-Habitat had developed a position paper on GWOPA in 2017 which contained several scenarios. In addition, the GWOPA Secretariat had developed a transition plan presenting various scenarios which was discussed at GWOPA's International Steering Committee meeting in Nairobi in May 2018. OIOS reviewed these documents and is of the view that they do not adequately address the immediate need to address GWOPA's financial situation. Lack of a contingency plan to address this situation may adversely affect UN-Habitat's ability to continue the operations of the GWOPA Secretariat.

(1) UN-Habitat, in collaboration with the Global Water Operators' Partnership Alliance (GWOPA) Secretariat, should prepare a contingency plan by considering the various viable scenarios for the GWOPA Secretariat in view of the current uncertainties.

UN-Habitat accepted recommendation 1 and stated that it was finalizing a contingency plan which covers all possible scenarios. Recommendation 1 remains open pending receipt of the contingency plan for the GWOPA Secretariat covering the various scenarios going forward.

GWOPA's five-year strategy was pending finalization

18. In accordance with UN-Habitat's Results-Based Management Handbook, GWOPA had developed a five-year strategy for its activities covering the period 2013-2017. The strategy highlighted the water challenges faced, elaborated the lessons learned in the previous five years, the strategy for the following five years, organization and governance structures, monitoring framework, funding and resource mobilization, and risk management. However, at the time of the audit in June 2018, GWOPA had not yet developed its 2018-2022 strategy because UN-Habitat had decided that the new strategy should be prepared after an independent evaluation of the results achieved under the 2013-2017 strategy. This evaluation was completed in April 2018 and a task force had since been set up to develop the strategy for 2019-2023. UN-Habitat stated that a new five-year strategy for the GWOPA Secretariat (2019-2023) has been drafted and will be submitted to a forthcoming Senior Management Board for endorsement. Implementation of the new strategy was scheduled to start in January 2019.

Need to operationalize Agenda 2030 on SDGs

19. In September 2015, 193 countries adopted 17 SDGs to end poverty, protect the planet and ensure prosperity, with specific targets to be achieved by 2030. The GWOPA Secretariat identified SDG 6 – "Ensure availability and sustainable management of water and sanitation for all" – as particularly relevant to its work. However, the GWOPA Secretariat was yet to systematically work towards achievement of relevant and specific targets relating to SDGs. The GWOPA Secretariat explained that SDGs will be included in the new strategy that is being developed.

(2) UN-Habitat should ensure that implementation of relevant Agenda 2030 Sustainable Development Goals' targets and indicators of achievement are appropriately reflected in the strategy and work plans of the Global Water Operators' Partnership Alliance Secretariat.

UN-Habitat accepted recommendation 2 and stated that it was finalizing a new strategy which clearly identifies the linkages between the GWOPA secretariat work and Agenda 2030 with specific focus on SDGs 6, 11 and 17 as well as the new Urban Agenda. Recommendation 2 remains open pending receipt of a new strategy for the GWOPA Secretariat with linkages to the Agenda 2030 focusing on SDGs 6, 11 and 17 as well as the New Urban Agenda.

2. Financial management

Need to mobilize adequate resources for operational activities

20. As of 31 July 2018, the GWOPA Secretariat had only \$267,212 available for its operations. From 1 January 2010 to 31 July 2018, the Secretariat received \$13.7 million from partners and spent \$12.9 million. The Secretariat had returned \$152,412 to two partners in line with the respective partnership agreements and had sent a proposal to another partner for utilizing an unspent balance of \$541,412.

21. For five years, the Government of Spain had provided GWOPA with a total of Euro 5.5 million (\$6.55 million) through annual contributions of Euro 1.1 million (approximately \$1.31 million), with additional contributions amounting to Euro 700,000 (equivalent to \$832,699) by the Barcelona City Council under two agreements signed in 2013 and 2015. These contributions accounted for 54 per cent of GWOPA's receipts from partners. Non-receipt of annual contributions from the host country and city since January 2018 has caused a financial crisis for the GWOPA Secretariat. In the meantime, staff costs have remained stable at about \$54,000 per month.

22. The GWOPA Secretariat explained that it had initiated several resource mobilization activities in 2017 but contacts with potential partners were stopped at the direction of UN-Habitat headquarters pending completion of an evaluation of the Secretariat. Since the evaluation was completed in April 2018 and the new strategy for 2019-2023 is under finalization, UN-Habitat and the GWOPA Secretariat need to intensify their resource mobilization efforts to prevent possible closure of the GWOPA Secretariat due to lack of funds.

(3) UN-Habitat, in collaboration with and the Global Water Operators' Partnership Alliance (GWOPA) Secretariat, should intensify its resource mobilization efforts to ensure the sustainability of the GWOPA Secretariat and its activities.

UN-Habitat accepted recommendation 3 and stated that it was developing a Resource Mobilization strategy for GWOPA. Recommendation 3 remains open pending receipt of the resource mobilization strategy for the GWOPA Secretariat.

3. Achievement of intended results

Work plans and annual reports need to be results-based

23. GWOPA work plans and annual reports did not highlight the actual benefits being realized by its target beneficiaries. For example, the 2017 work plan detailed the activities being undertaken in pursuance of GWOPA's objectives in areas such as knowledge management, communication and advocacy, and branding but did not detail the targets and actual number of people to be impacted by GWOPA's activities. Similarly, the 2017 annual report did not highlight the specific and measurable outcome/impact that were planned and achieved. Results-based reporting is essential to sustain stakeholders' interest and their continued support for GWOPA.

(4) UN-Habitat should ensure that the Global Water Operators' Partnership Alliance's work plans and annual reports are focused on achievement of results that are relevant to the problems being addressed.

UN-Habitat accepted recommendation 4 and stated that it will implement this recommendation in the next annual work plans and reports. Recommendation 4 remains open pending receipt of GWOPA Secretariat work plans and annual reports that are focused on achievement of results relevant to the problems being addressed.

B. City Resilience Profiling Programme

Need to upscale programme activities

24. CRPP activities were performed as part of the overall UN-Habitat strategy for 2014-2019 and the related budgets and work plans (2016-2017, 2018-2019). CRPP aimed to increase the resilience of cities to the impact of natural and human-made crises and undertake rehabilitation in ways that advance sustainable development. Its expected accomplishment was adoption of improved urban risk reduction policies, strategy and programmes for greater resilience of cities and other human settlements. Performance was to be measured by the number of partners (local, regional and national governments) that included urban risk reduction and management in their plans. The target for 2016-2017 was set at 149 partners.

25. CRPP had developed the City Resilience Profiling Tool (CRPT) which provides cities the necessary framework and approach to evaluate urban resilience and develop actions for resilience tailored to the city. The tool and accompanying guidance is used to assist local governments deliver on targets agreed in inter-governmental frameworks. The frameworks considered in the development of the tool included the Sendai Framework for Disaster Reduction, Agenda 2030 on SDGs, the Paris Agreement on Climate Change, the World Humanitarian Summit's Agenda for Humanity, and the New Urban Agenda.

26. As of 31 December 2017, there were 3,800 local governments which had signed the 'Making Cities Resilient' campaign, which suggested that there are more potential users of CRPT. However, CRPP had commenced implementation of the tool with only seven local government partners out of the target of 149 partners. At the time of the audit, CRPP was implementing the tool with ten local partners and had drafted a project proposal with its key partner to increase the number of local governments that could participate in implementing CRPT. Unless UN-Habitat develops and implements a strategy to upscale its activities, it may not be able to meet the needs of targeted partners.

(5) UN-Habitat should develop and implement plans to upscale the implementation of the City Resilience Profiling Tool.

UN-Habitat accepted recommendation 5 and stated that it was being addressed within the framework of the new strategic plan 2020-2025. Recommendation 5 remains open pending receipt of evidence of upscaling the implementation of CRPT.

Need for knowledge management

27. As of 30 June 2018, CRPP was managed by one professional staff with the support of 17 consultants. In this set up, institutional knowledge was vested in one individual whose departure from the Organization could cause significant disruption of programme activities. UN-Habitat needs to establish an appropriate mechanism for knowledge management to mitigate this risk.

(6) UN-Habitat should develop a mechanism for knowledge management to retain institutional knowledge relating to the City Resilience Profiling Programme.

UN-Habitat accepted recommendation 6 and stated that it will establish a Community of Practice which will include all Branches and Regional Offices for the purpose of knowledge sharing and will be coordinated by CRPP. Recommendation 6 remains open pending receipt of evidence of establishment of the community of practice for knowledge sharing on CRPP.

UN-Habitat planned to diversify the programme's funding sources

28. From 2013 to June 2018, nine partners provided a total funding of \$6.2 million to CRPP of which the programme had spent \$3.4 million. CRPP implemented 13 projects of which five were completed and closed while eight were ongoing. Projects were implemented in accordance with partner agreements. Financial and progress reports were sent to partners and unspent balances were returned to them.

29. One single partner provided 52 per cent of the funds to the programme from 2013 to 2018. UN-Habitat clarified that it was developing a resource mobilization strategy for CRPP which would diversify the programme's funding sources.

IV. ACKNOWLEDGEMENT

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

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Human Settlements Programme in Barcelona

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	UN-Habitat, in collaboration with the Global Water Operators' Partnership Alliance (GWOPA) Secretariat, should prepare a contingency plan by considering the various viable scenarios for the GWOPA Secretariat in view of the current uncertainties.	Important	O	Receipt of contingency plan for the GWOPA Secretariat covering the various scenarios going forward	31 December 2018
2	UN-Habitat should ensure that implementation of relevant Agenda 2030 Sustainable Development Goals' targets and indicators of achievement are appropriately reflected in the strategy and work plans of the Global Water Operators' Partnership Alliance Secretariat.	Important	O	Receipt of a new strategy for the GWOPA Secretariat with linkages to the Agenda 2030 focusing on SDGs 6, 11 and 17 as well as the New Urban Agenda.	31 December 2018
3	UN-Habitat, in collaboration with and the Global Water Operators' Partnership Alliance (GWOPA) Secretariat, should intensify its resource mobilization efforts to ensure the sustainability of the GWOPA Secretariat and its activities.	Important	O	Receipt of a resource mobilization strategy for GWOPA.	31 March 2019
4	UN-Habitat should ensure that the Global Water Operators' Partnership Alliance's work plans and annual reports are focused on achievement of results that are relevant to the problems being addressed.	Important	O	Receipt of GWOPA Secretariat work plans and annual reports that are focused on achievement of results relevant to the problems being addressed.	31 December 2018
5	UN-Habitat should develop and implement plans to upscale the implementation of the City Resilience Profiling Tool.	Important	O	Receipt of evidence upscaling the implementation of the City Resilience Profiling Tool.	31 March 2019
6	UN-Habitat should develop a mechanism for knowledge management to retain institutional knowledge relating to the City Resilience Profiling Programme.	Important	O	Receipt of evidence of establishment of a community of practice for knowledge sharing on CRPP.	31 March 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

To: Mr. Gurpur Kumar
Deputy Director
Internal Audit, OIOS

Ref:

From: Mr. Victor Kisob
Officer-in-Charge
Office of the Executive Director
UN-Habitat

Date: 9 October 2018

Subject: **Response to draft report on an audit of the UN-Habitat programme in Barcelona**

I refer to the draft report on an audit of the UN-Habitat programme in Barcelona, dated 25 September 2018, addressed to me.

I am pleased to present UN-Habitat comments. We readily accept all the recommendations and would like to take this opportunity to thank the Office of Internal Oversight services (OIOS) for the valuable services it continues to provide to UN-Habitat.

Management Response

Audit of United Nations Human Settlements Programme in Barcelona

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UN-Habitat, in collaboration with the Global Water Operators' Partnership Alliance (GWOPA) Secretariat, should prepare a contingency plan by considering the various viable scenarios for the GWOPA Secretariat in view of the current uncertainties.	Important	Yes	Coordinator, Urban Basic Services Branch	31 December 2018	UN-Habitat is finalizing a Contingency plan which covers all possible scenarios.
2	UN-Habitat should ensure that implementation of relevant Agenda 2030 Sustainable Development Goals' targets and indicators of achievement are appropriately reflected in the strategy and work plans of the Global Water Operators' Partnership Alliance Secretariat.	Important	Yes	Coordinator, Urban Basic Services Branch	31 December 2018	UN-Habitat is finalizing a New Strategy which clearly identifies the linkages between the GWOPA Secretariat work and Agenda 2030 with specific focus on SDGs 6, 11 and 17 as well as new Urban Agenda.
3	UN-Habitat, in collaboration with and the Global Water Operators' Partnership Alliance (GWOPA) Secretariat, should intensify its resource mobilization efforts to ensure the sustainability of the GWOPA Secretariat and its activities.	Important	Yes	Coordinator, Urban Basic Services Branch	31 March 2019	UN-Habitat is developing a Resource Mobilization strategy for GWOPA.
4	UN-Habitat should ensure that the Global Water Operators' Partnership Alliance's work plans and annual reports are focused on achievement of results that are relevant to the problems being addressed.	Important	Yes	Coordinator, Urban Basic Services Branch	31 December 2018	UN-Habitat will implement this recommendation in the next annual workplans and reports.
5	UN-Habitat should develop and implement plans to upscale the implementation of the City Resilience Profiling Tool.	Important	Yes	Coordinator, Urban Basic Services Branch	31 March 2019	UN-Habitat will address this recommendation within the framework of the new strategic plan 2020-2025.

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.

Management Response

Audit of United Nations Human Settlements Programme in Barcelona

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
6	UN-Habitat should develop a mechanism for knowledge management to retain institutional knowledge relating to the City Resilience Profiling Programme.	Important	Yes	Coordinator, Urban Basic Services Branch	31 March 2019	UN-Habitat will establish a community of practice which will include all branches and regional offices for the purpose of knowledge sharing and will be coordinated by CRPP.