



INTERNAL AUDIT DIVISION

REPORT 2022/023

Audit of the United Nations Human Settlements Programme Somalia Country Office activities

**Internal controls in the areas of strategic
management, operations, finance and
procurement needed to be strengthened**

27 June 2022

Assignment No. AA2021-250-02

Audit of the United Nations Human Settlements Programme Somalia Country Office activities

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Human Settlements Programme (UN-Habitat) Somalia Country Office activities. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective management of the Country Office's activities. The audit covered the period from 1 January 2018 to 31 August 2021 and included a review of: (i) strategic management; (ii) operations management; and (iii) finance and procurement.

The audit showed that internal controls in the areas of strategic management, operations, finance and procurement needed to be strengthened.

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

- Establish a system for monitoring and reporting on its achievements and contributions towards implementing the United Nations Sustainable Development Cooperation Framework, the Sustainable Development Goals, the New Urban Agenda, and the UN-Habitat strategic plan and work programme;
- Develop a Habitat Country Programme Document that articulates its strategic direction and outlines the integration mechanisms for creating synergies at project level, reducing overlaps and enhancing efficiency;
- Develop an action plan to address delays in project implementation, including effective monitoring for timely corrective action to address the delays, and strengthen accountability to ensure efficient and effective implementation of project activities;
- Undertake competitive solicitation and conduct due diligence and comparative assessments before selecting implementing partners;
- Establish mechanisms for follow up on delayed implementation and reporting by implementing partners, strengthen project monitoring, and ensure accountability for in-kind contributions;
- Ensure that all evaluations meet the requirements outlined in the UN-Habitat Evaluation Policy of January 2013, the Revised UN-Habitat Evaluation Framework of September 2015, and administrative instruction ST/AI/2021/3;
- Expedite the closure of all expired grants and comply with reporting requirements outlined in the donor agreements;
- Expedite the recruitment of a Programme Management Officer for Finance; and
- Ensure that only staff with delegation of authority undertake procurement activities for the UN-Habitat Somalia Country Office, and that the Country Office invites only qualified vendors to bid.

UN-Habitat accepted the recommendations and has initiated action to implement them. Actions required to close the recommendations are indicated in Annex I.

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Audit of the United Nations Human Settlements Programme Somalia Country Office activities

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Human Settlements Programme (UN-Habitat) Somalia Country Office activities.

2. UN-Habitat serves as the principal agency for human settlement activities in Somalia and has been active in the country's urban sector for more than 30 years to promote sustainable and participatory urban development, address urbanization challenges, enhance service delivery capacity, and improve infrastructure and livelihood. As of 2019, Somalia had an estimated 2.6 million internally displaced persons, or 17.5 per cent of the total Somali population. Additionally, there are over 300,000 returnees from various countries trying to settle in urban centres in Somalia which has created pressure on the already scarce resources and infrastructure, leading to lack of proper access to drinking water and sanitation. The UN-Habitat Somalia Country Office responded to the implementation of Somalia National Development Plans by focusing on six thematic areas, namely: (i) good governance; (ii) infrastructure development; (iii) sustainable and durable holistic solutions; (iv) youth and livelihoods development; (v) sustainable urban planning; and (vi) waste management. The Country Office strives to fulfil its mandate through project interventions that are jointly implemented with United Nations agencies, government entities, non-governmental organizations (NGOs) and civil society organizations.

3. Between 2018 and 2021, the Country Office implemented 14 projects valued at \$68.6 million. These were primarily funded by the United Nations Peacebuilding Fund, the United Nations Development Programme (UNDP) Multi-Partner Trust Fund, and the European Union. The Country Office implemented its activities with the support of 37 staff of which 12 were contracted by UN-Habitat and the remaining 25 held UNDP service contracts.

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

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

5. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective management of the Country Office's activities.

6. This audit was included in the 2021 risk-based work plan of OIOS due to the risk that potential weaknesses in planning and implementation of the Country Office's activities could have an adverse impact on the achievement of UN-Habitat's objectives.

7. OIOS conducted this audit from September 2021 to February 2022. The audit covered the period from 1 January 2018 to 31 August 2021. Based on an activity-level risk assessment, the audit covered risk areas which included: (i) strategic management; (ii) operations management; and (iii) finance and procurement.

8. The audit methodology included: (a) interviews with key personnel; (b) review of relevant documentation; (c) analytical review of data; and (d) judgmental sample testing of projects. Due to the COVID-19 pandemic, the audit team was unable to travel to Somalia and other locations to conduct onsite verification of projects. The audit team relied on progress and monitoring reports, information provided by Country Office staff and implementing partners, and data extracted from Umoja.

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

III. AUDIT RESULTS

A. Strategic management

Monitoring and reporting needed to be strengthened

10. In Somalia, the Organization’s collective commitment to support the country’s humanitarian, development, political and security priorities was encapsulated in the United Nations’ Strategic Framework 2017 to 2020 (UNSF) and the Sustainable Development Cooperation Framework (or “Cooperation Framework”) 2021-2025. Both documents were developed by close collaboration among the United Nations system in-country, the Government of Somalia, Somali civil society and international partners. Within UN-Habitat, the Country Office was expected to enhance its effectiveness through UNSF and the Cooperation Framework which outlined the integration of urbanization in the country’s national development agenda and the linkages to the Sustainable Development Goals (SDGs). The results thereof were reported and published on an annual basis.

11. While the Country Office was able to demonstrate how some of its project deliverables contributed to the two frameworks, this was limited to a few project outputs and outcomes that were recognized in the 2019 annual report, and even fewer in 2020. The Country Office faced challenges in linking its project deliverables to the two frameworks because these linkages were not developed during the project design stage. In June 2021, the Management Advisory and Compliance Service Division released a new project document template which required that these linkages be established at the project design stage for all future projects by undertaking a more comprehensive assessment of how specific project outputs and outcomes contributed to the Cooperation Framework, SDGs, the New Urban Agenda, and UN-Habitat’s strategic plan and work programme.

12. Notwithstanding this improvement, UN-Habitat did not have a functional mechanism for monitoring and reporting on these linkages throughout the projects’ life cycle. As a result, the relevance of the Country Office’s interventions to the Cooperation Framework, SDGs and the New Urban Agenda could not be established.

(1) The UN-Habitat Somalia Country Office should establish a system for monitoring and reporting on its achievements and contributions towards implementing the United Nations Sustainable Development Cooperation Framework, the Sustainable Development Goals, the New Urban Agenda, and the UN-Habitat strategic plan and work programme.

The UN-Habitat Somalia Country Office accepted recommendation 1 and stated that it will establish a monitoring and reporting system that ensures compliance and alignment with the mandated requirements of the UN-Habitat Project Review Committee (PRC) and the Integrated Planning, Management and Reporting, thereby strengthening the linkages to the UNSF, SDGs, the New Urban Agenda, and the UN-Habitat strategic plan and work programme throughout the project lifecycle and not just at project design.

Need to develop a Habitat Country Programme Document

13. In 2013, the UN-Habitat Governing Council recognized the Habitat Country Programme Document (HCPD) as instrumental in implementing UN-Habitat's Strategic Plan. The HCPD was subsequently recognized as key in actualizing the United Nations Development Assistance Framework (and later the Cooperation Framework) at Country Office level. The HCPD was meant to articulate the Country Office deliverables, provide guidance for project design, and form the basis for resource mobilization.

14. The Somalia Country Office did not have an HCPD. As a result, its project delivery was fragmented with some projects having overlapping objectives. Harmonization of Country Office interventions to the strategic direction of UN-Habitat and the Corporation Framework was not documented. In February 2020, the Country Office developed an integration framework which was intended to eliminate or reduce overlaps, improve project coordination, and enhance efficiencies through better use of available resources such as data, expertise, infrastructure and personnel. The integration framework identified 11 projects which were to be harmonized to support the delivery of the Country Office's six thematic areas. Two years after its preparation, the integration framework was yet to be implemented, and over 80 per cent of the projects identified for integration were either closing or closed. The Country Office stated that the HCPD which was currently under development would include integration mechanisms and supersede the existing one.

(2) The UN-Habitat Somalia Country Office should develop a Habitat Country Programme Document that articulates its strategic direction and outlines the integration mechanisms for creating synergies at project level, reducing overlaps and enhancing efficiency.

The UN-Habitat Somalia Country Office accepted recommendation 2 and stated that it was currently using an integration framework on a temporary basis pending finalization of the HCPD that had been initiated. The HCPD would supersede the integration framework once approved and would contribute to creating synergies and enhancing efficiency.

B. Operations management

15. The Country Office undertakes project interventions through collaboration with United Nations agencies or by partnering with government and non-governmental entities. Since 2015, the Country Office implemented 46 projects valued at \$133.5 million and between 2018 and 2021, it implemented 14 projects valued at \$68.6 million. OIOS reviewed a sample of 11 projects valued at \$55 million that were either ongoing or closing at the time of the audit. The results of the review are summarized below.

Delays in project implementation need to be addressed

16. There were delays in implementing activities for all 11 projects reviewed. This had resulted in multiple no-cost extensions, closure of projects before full implementation, return of funds to donors, and write down of donor funding that the Country Office ought to have received. For the period under review, returned funds and funding write-downs totaled over \$5 million. This not only adversely affected the funding received by the Country Office but also increased the risk of reduced donor confidence on UN-Habitat's capacity to deliver. Delayed implementation also resulted in premature closure of some projects and ineffective delivery of project objectives. Three of the 11 projects that were prematurely closed only accomplished 40 to 50 per cent of the planned deliverables. Delayed implementation also resulted in increased operational costs for salaries, rent and office expenses. Ongoing projects had unspent balances of up to 40 per cent of the total funding.

17. Delays in implementation were attributed to external and internal factors. The Country Office worked in a challenging environment which included security concerns, delays in acquiring land for key housing projects, as well as delayed donor funding. While the COVID-19 pandemic had an impact due to lockdowns and limited travel, its effect could have been avoided for five projects had they been completed within the originally planned time.

18. Internally, the Country Office had high staff turnover which, coupled with delays in replacement of staff, resulted in inadequate capacity to manage the workload. There were also delays in procurement and challenges in coordination among the partners. Implementing partners also contributed to delayed implementation, and the partnership agreements of 70 per cent of the 25 implementing partners reviewed had to be extended. Four partnership agreements valued at \$1.2 million ended with only half of the amount having been disbursed.

19. A water upgrading project costing \$18.5 million which was scheduled to end in June 2016 was still ongoing at the time of the audit, six years later. The delay was due to poor performance of a key contractor who was engaged to undertake the construction works at a cost of \$11.6 million. The contract was ultimately terminated in May 2019 and a new contractor was engaged in October 2020. There were also delays in recovery of \$2.6 million that had been held as performance security for the initial contractor. At the time of the audit, the project was undergoing a donor-sponsored verification in accordance with the project agreement.

(3) The UN-Habitat Somalia Country Office should: (i) develop an action plan to address delays in project implementation, including effective monitoring for timely corrective action to address the delays; and (ii) strengthen accountability to ensure efficient and effective implementation of project activities.

The UN-Habitat Somalia Country Office accepted recommendation 3 and stated that it will establish the necessary mechanisms to track project deadlines and monitor delays in implementation. In addition, project managers will be trained on the centralized project monitoring tools to ensure timely reporting of progress and challenges. The Country Office will strengthen the accountability mechanism of project managers in line with the framework. The above action plan can only be successfully implemented if the Country Office gets the required timely support from UN-Habitat headquarters.

Need to strengthen controls on selection and management of implementing partners

20. Programme activities at the Country Office were primarily executed through implementing partners who were contracted using Agreements of Cooperation (AoCs). These partners were to be managed in accordance with the UN-Habitat Policy for Implementing Partners and Standard Operating Procedures (SOPs) for selection of implementing partners. During the audit period, the Country Office engaged 28 implementing partners through 42 AoCs valued at over \$14.7 million. OIOS' review of 25 AoCs for 15 implementing partners valued at \$12.5 million indicated the following.

(a) Identification and selection of implementing partners needs to be improved

21. In accordance with the UN-Habitat Policy and SOPs, sourcing of collaborating entities entailed solicitation through a call for proposals, followed by a comparative analysis of at least three competing entities. During this time, the potential partners underwent a due diligence process which included capacity assessment to establish their ability to undertake the activities. This process was primarily for NGOs because United Nations agencies, government entities and inter-governmental organizations were exempted from the due diligence process.

22. During the audit period, the Country Office engaged five NGOs using seven AoCs valued at \$3.1 million. None of these implementing partners underwent any formal solicitation, comparative analysis and capacity assessment. Partners for five of the seven AoCs were sole sourced, while those for the remaining two AoCs were engaged as co-beneficiaries to a project that was jointly implemented with the Country Office, with the Country Office being accountable for the implementing partners' deliverables. The Country Office sought waivers to exclude all these implementing partners from the competitive selection process.

23. One NGO that had implemented over 60 per cent of the activities entrusted to NGOs by the Country Office was sole sourced six times and engaged as a co-beneficiary in the last two AoCs. This NGO had worked with the Country Office for over 14 years with a total grant value of \$5.34 million. Concerns regarding the NGO's performance as an implementing partner, including delayed implementation, inefficiencies and poor delivery, had been raised in OIOS Report No. 2019/093 titled "Audit of UN-Habitat Regional Office for Africa" dated 31 October 2019. During the period under review, the implementing partner was sole sourced once and was engaged as a co-beneficiary in two AoCs. Similar issues regarding inability to deliver in a timely manner within budget were identified in two of the three AoCs. According to the Country Office, the implementing partner's performance was deemed satisfactory, and at least three calls for proposals had been made to solicit implementing partners for ongoing projects.

24. The Country Office needs to undertake competitive solicitation of implementing partners to increase transparency and improve the results achieved from such collaboration.

(4) The UN-Habitat Somalia Country Office should undertake competitive solicitation and conduct due diligence and comparative assessments before selecting implementing partners to ensure that the most suitable collaborations are established.

The UN-Habitat Somalia Country Office accepted recommendation 4 and stated that most of the implementing partners are Government entities of which the competitive solicitation is not required. In addition, during the audit period the NGOs that were engaged by the Country Office had exception waivers from competitive solicitation in line with the policy. The Country Office always conducts due diligence for all implementing partners as seen in the documentation presented to the Legal Office during clearance. OIOS is aware of the waivers from competitive selection, but such waivers led to sole sourcing of partners who did not deliver as expected. The Country Office needs to undertake competitive selection and document comparative assessments before implementing partners are selected.

(b) Monitoring and reporting on implementing partner deliverables need to be strengthened

25. According to the UN-Habitat Policy for Implementing Partners, partners are required to account for funds received from the Country Office by submitting narrative and financial reports in accordance with the timelines outlined in the AoC. This includes accounting for in-kind contributions made by the implementing entities. Project managers are required to review implementing partner reports for accuracy and completeness, monitor partner activities, and verify outputs. OIOS' review of the monitoring and reporting mechanisms indicated the following:

(a) There were lengthy delays in accounting for advances. Of the \$12.5 million contracted to the implementing partners, \$10.8 million was advanced for programme activities but documentation available accounted for only \$7.1 million. The unaccounted balances had been pending for over a year, but the Country Office continued to work with the same implementing partners on other projects.

(b) There were inadequacies in the reports submitted by implementing partners. For 9 of the 15 reports reviewed, the expenditure in the financial reports exactly matched the budgeted figures, which is unusual. Activities in the narrative reports were not reported against the implementation plans outlined in the AoC. Further, the reports did not account for in-kind contributions which totaled \$102,570. There was also no evidence that the activities were monitored, and that the reported outputs were verified.

(5) The UN-Habitat Somalia Country Office should: (i) establish mechanisms for follow up on delayed implementation and reporting by implementing partners; (ii) strengthen project monitoring by instituting spot checks, site visits and validation of outputs; and (iii) ensure accountability for in-kind contributions.

The UN-Habitat Somalia Country Office accepted recommendation 5 and stated that it will set out an action plan for implementing partner management according to the UN-Habitat Policy for Implementing Partners. This will include: (i) developing guidelines and procedures for managing implementing partners in line with the policy; (ii) capacity building and training for staff and partners on monitoring and reporting; and (iii) strengthening internal AoC monitoring templates and mission reports to include spot-checks, site visits and validation of outputs.

Need to streamline evaluation mechanisms at the Country Office

26. The UN-Habitat Evaluation Policy of January 2013 and the Revised UN-Habitat Evaluation Framework of September 2015 guide the evaluation function at UN-Habitat. The policy and framework require that evaluations meet the standards outlined in the United Nations Evaluation Group (UNEG) Norms and Standards for Evaluation, that they be independent and impartial, credible, reliable and useful, and that there is timely incorporation of findings, recommendations and lessons into management decision-making. Projects over \$1 million should be evaluated and have sufficient budgets allocated for these evaluations of between one and three per cent of the project value. All the above requirements were reinforced in a new Administrative Instruction ST/AI/2021/3 (“Evaluation in the United Nations Secretariat”) issued on 6 August 2021.

27. During the period under review, 7 of the 11 projects reviewed had undergone 12 mid-term and final evaluations, while the remaining 4 projects were not evaluated. The Country Office was responsible for 5 of the 12 evaluations, while other United Nations agencies that worked jointly with the Country Office were responsible for the remaining 7 evaluations. OIOS’ review of the evaluation mechanisms indicated the following:

(a) All of the five evaluations under the responsibility of the Country Office were done by the same consultancy firm over a period of 19 months at a cost of \$171,982. The selection and appointment of the consultant was not in line with the UN-Habitat policy and framework. The Country Office neither involved the UN-Habitat Evaluation Unit in the selection process nor shared the completed evaluation reports. This may have compromised impartiality and independence in the selection and appointment of the consultant, since project management was involved in the process. Procurement of the consultant’s services took place without the involvement of the Procurement Section of the United Nations Office at Nairobi (UNON). In addition, there were inconsistencies in the bidding process as explained later in the report.

(b) There were quality gaps in the reported evaluation results of three out of the five evaluation reports where some of the evaluation findings were not substantiated. A subsequent quality assessment undertaken by the Evaluation Unit for two of the five reports revealed that evaluations performed by the consultant did not meet the UNEG Norms and Standards for Evaluation, since the reports were not comprehensive and did not fully address the terms of reference issued to the consultant. According to the Evaluation Unit, the reports did not meet quality standards for being shared externally. However, project management had

already disseminated the reports to donors. Concerns were also raised by the Evaluation Unit on the qualifications of the consultant.

(c) In four of the five projects evaluated by the consultant, the PRC had previously requested project management to increase the budgets allocated for evaluations as they were below the required standard of between one and three per cent of the project value. However, the PRC's request was not complied with. One project was closed without an evaluation even though it met the criteria for evaluation.

(d) There was no mechanism for systematic follow up on the implementation of evaluation recommendations. In addition, there was no mechanism to ensure that feedback from the results of the evaluation process was systematically incorporated into the design of new projects and programmes. While the UN-Habitat policy and framework as well as the administrative instruction on evaluation required management to prepare a response to each evaluation recommendation with specific time-bound actions, this was not done.

28. Inadequate evaluation of project activities could result in inaccurate assessment of project results, achievements and impact, and failure to harness vital knowledge and lessons learned.

(6) The UN-Habitat Somalia Country Office should ensure that all evaluations meet the requirements outlined in the UN-Habitat Evaluation Policy of January 2013, the Revised UN-Habitat Evaluation Framework of September 2015, and administrative instruction ST/AI/2021/3.

The UN-Habitat Somalia Country Office accepted recommendation 6 and stated that it has already started implementing this recommendation by engaging the Evaluation Unit in all upcoming and recently concluded evaluations.

C. Finance and procurement

Compliance with Financial Regulations and Rules needs to be improved

29. The activities of the Country Office were guided by the United Nations Financial Regulations and Rules, the United Nations Finance and Budget Manual, as well as policies and SOPs developed by the Department of Operational Support and UNON. Below is a summary of issues noted during OIOS' review of finance and procurement matters in the Country Office.

(a) Delay in closure of expired grants

30. The Country Office managed its grants using UNON's SOP 114 which required that financial closure of projects takes place within 12 months of operational closure of the grants. There was delayed closure of 10 grants valued at over \$29 million, half of which were overdue for closure for over four years.

(b) Reporting requirements were not complied with

31. The Country Office was required to regularly submit periodic financial reports to donors as per signed agreements. However, there were delays in submitting the final financial reports for 3 of the 11 projects which delayed the finalization and closure of these projects. One of the projects faced problems in reconciling financial data in the Umoja system to the donor's reporting requirements. The project also encountered delays in accounting for the funding given to other agencies amounting to \$3 million. According to the agreement, UN-Habitat and its co-recipients were required to provide co-funding

equivalent to 10 per cent of the entire project funding. The consolidated report showed that only 6.5 per cent of the costs accounted for, totaling about Euro 190,201 (\$228,241), were recognized as co-funding. The Country Office, which was the lead agency for the project that included two United Nations agencies, did not provide supporting documentation to corroborate the reported co-funding.

32. At the time of the audit, the Country Office did not have a fulltime Programme Management Officer (PMO) for Finance. This was a key position for effective financial management of the Country Office. The Country Office had also experienced high turnover in the last one year, having had three PMOs during that time. Presently, the Country Office was receiving support from two Programme Management Assistants and a PMO from the Management Advisory and Compliance Service Division.

(7) The UN-Habitat Somalia Country Office should: (i) expedite the closure of all expired grants in line with standard operating procedures on financial closure of projects; and (ii) comply with reporting requirements outlined in the donor agreements through timely financial reporting and accurate accounting for co-funding.

The UN-Habitat Somalia Country Office accepted recommendation 7 and stated that it is fast tracking the closure of expired grants, and this should be finalized before the end of 2022. For the grants that are currently ending, the Country Office has ensured that the closure is in line with the UNON SOP on financial closure of projects. Going forward the Country Office will endeavor to fully close grants before the end of the financial closure period of 12 months. The Country Office will also establish mechanisms to ensure that periodic submission of financial reports to the donors are in line with the signed contribution agreements.

(8) The UN-Habitat Somalia Country Office should expedite the recruitment of a Programme Management Officer for Finance to strengthen financial management.

The UN-Habitat Somalia Country Office accepted recommendation 8 and stated that it will continue to work closely with UN-Habitat headquarters and UNON to expedite the recruitment of the PMO.

Need to enhance controls over procurement activities

33. Procurement of goods and services for the Country Office is regulated by Financial Regulation 5.12 and Financial Rules 105.3 and 105.19, as well as the United Nations Procurement Manual. Acquisition is to be undertaken in line with basic procurement principles which included ensuring best value for money, fairness to all bidders, integrity and transparency. UNON was responsible for procurement activities valued at \$50,000 or more, while the Director, Regional Office for Africa (ROAF), who oversees the Country Office, had delegation of authority to undertake procurement actions valued at less than \$50,000.

34. While the delegation of procurement authority rested with the Director, ROAF, procurement activities were primarily undertaken by the Country Office staff. With the exception of the requests for quotations that were sent from ROAF, the Country Office staff were involved in both technical and financial evaluations, including selection of the winning bids. However, the authority to undertake these procurement activities had not been sub-delegated by the Director, ROAF evidently because the delegation of authority did not provide for such sub-delegation. Further, there was no evidence of oversight of Country Office procurement activities by the Regional Office. This impeded independence, transparency and compliance with procurement procedures as explained below. This was exacerbated by lack of segregation of duties, as the financial and technical assessment of the bids and quotations were done by the same staff.

35. OIOS reviewed 21 procurement transactions totaling \$745,450 that the Country Office undertook. The transactions were within the authority of the Director, ROAF. Five of these procurements amounting

to \$171,982 were for mid-term and end of project evaluations, while one procurement for \$35,240 was for a project baseline assessment. All six procurement actions were awarded to the same consultant. OIOS' review showed that solicitation of three procurements totaling \$95,010 was split, even though it was for the same service. By splitting the solicitations, the procurement was not undertaken by UNON Procurement Section, as required. Instead, the Country Office carried out the procurement actions, even though they had no delegated authority. Splitting the solicitation violated section 6.3.2.1 of the Procurement Manual.

36. OIOS' review of the six procurements showed that the requests for quotation yielded only a 10 per cent response. This was because 13 of the 18 entities did not qualify to offer the solicited services because they specialized in other areas such as information technology, construction, insurance underwriting, supply of medical equipment, media and communication. Based on the above, and also considering the quality of service received from the winning bidder (consultant) as explained earlier in this report, it is questionable whether the Organization received best value from these procurement actions.

37. OIOS did not receive documentation relating to the selection of bidders for three transactions valued at \$462,305. Therefore, the basis of selection and contracting these vendors could not be established.

(9) The UN-Habitat Regional Office for Africa should: (i) ensure that only staff with delegation of authority undertake procurement activities for the UN-Habitat Somalia Country Office, and that the use of such delegation is appropriately supervised; and (ii) ensure that the UN-Habitat Somalia Country Office invites only qualified vendors to bid.

The UN-Habitat Somalia Country Office accepted recommendation 9 and stated that it will continue to work closely with UN-Habitat Regional Office for Africa and UNON to ensure that the procurement guidelines are followed.

IV. ACKNOWLEDGEMENT

38. 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 Somalia Country Office activities

Rec. no.	Recommendation	Critical ¹ / Important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UN-Habitat Somalia Country Office should establish a system for monitoring and reporting on its achievements and contributions towards implementing the United Nations Sustainable Development Cooperation Framework, the Sustainable Development Goals, the New Urban Agenda, and the UN-Habitat strategic plan and work programme.	Important	O	Receipt of evidence that a system has been established for monitoring and reporting on the Country Office's achievements and contributions towards implementing UNSF, SDGs, the New Urban Agenda, and the UN-Habitat strategic plan and work programme.	30 June 2023
2	The UN-Habitat Somalia Country Office should develop a Habitat Country Programme Document that articulates its strategic direction and outlines the integration mechanisms for creating synergies at project level, reducing overlaps and enhancing efficiency.	Important	O	Receipt of evidence that the HCPD has been developed and implemented.	30 September 2023
3	The UN-Habitat Somalia Country Office should: (i) develop an action plan to address delays in project implementation, including effective monitoring for timely corrective action to address the delays; and (ii) strengthen accountability to ensure efficient and effective implementation of project activities.	Important	O	Receipt of evidence that an action plan to address delays in project implementation, and an accountability mechanism for efficient and effective implementation have been established.	28 February 2023
4	The UN-Habitat Somalia Country Office should undertake competitive solicitation and conduct due diligence and comparative assessments before selecting implementing partners to ensure that the most suitable collaborations are established.	Important	O	Receipt of evidence that the Country Office has put in place controls and is undertaking competitive selection and documenting comparative assessments before implementing partners are selected.	30 June 2022
5	The UN-Habitat Somalia Country Office should: (i) establish mechanisms for follow up on delayed	Important	O	Receipt of evidence that mechanisms for follow up on delayed implementation and reporting by	31 March 2023

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

³ Please note the value C denotes closed recommendations whereas O refers to open recommendations.

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Human Settlements Programme Somalia Country Office activities

	implementation and reporting by implementing partners; (ii) strengthen project monitoring by instituting spot checks, site visits and validation of outputs; and (iii) ensure accountability for in-kind contributions.			implementing partners have been established, and that project monitoring and accountability for in-kind contributions have been strengthened.	
6	The UN-Habitat Somalia Country Office should ensure that all evaluations meet the requirements outlined in the UN-Habitat Evaluation Policy of January 2013, the Revised UN-Habitat Evaluation Framework of September 2015, and administrative instruction ST/AI/2021/3.	Important	O	Receipt of evidence that the Country Office put in place mechanisms to ensure that evaluations meet the requirements outlined in the UN-Habitat Evaluation Policy of January 2013, the Revised UN-Habitat Evaluation Framework of September 2015, and ST/AI/2021/3.	31 December 2022
7	The UN-Habitat Somalia Country Office should: (i) expedite the closure of all expired grants in line with standard operating procedures on financial closure of projects; and (ii) comply with reporting requirements outlined in the donor agreements through timely financial reporting and accurate accounting for co-funding.	Important	O	Receipt of evidence that all expired grants have been closed and that the reporting requirements outlined in the donor agreements have been complied with.	28 February 2023
8	The UN-Habitat Somalia Country Office should expedite the recruitment of a Programme Management Officer for Finance to strengthen financial management.	Important	O	Receipt of evidence that a PMO for Finance has been recruited.	31 December 2022
9	The UN-Habitat Regional Office for Africa should: (i) ensure that only staff with delegation of authority undertake procurement activities for the UN-Habitat Somalia Country Office, and that the use of such delegation is appropriately supervised; and (ii) ensure that the UN-Habitat Somalia Country Office invites only qualified vendors to bid.	Important	O	Receipt of evidence that only staff with delegation of authority undertake procurement activities with proper oversight, and that the Country Office has taken steps to ensure that only qualified vendors are invited to bid.	30 June 2023

APPENDIX I

Management Response

Management Response

Audit of the United Nations Human Settlements Programme Somalia Country Office activities

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UN-Habitat Somalia Country Office should establish a system for monitoring and reporting on its achievements and contributions towards implementing the United Nations Sustainable Development Cooperation Framework, the Sustainable Development Goals, the New Urban Agenda, and the UN-Habitat strategic plan and work programme.	Important	YES	Senior Human Settlements Officer/ Head of Country Programme	Recommendation will be implemented by 30 th June 2023	UN-Habitat accepts this recommendation: The Somalia Country Office will establish a monitoring and reporting system that ensures compliance and alignment to the mandated requirements of UN-Habitat PRC and IPMR therefore strengthening the linkages to the United Nations Sustainable Development Cooperation Framework, the Sustainable Development Goals, the New Urban Agenda, the UN-Habitat strategic plan and its work programme throughout the project lifecycle and not just at project design.
2	The UN-Habitat Somalia Country Office should develop a Habitat Country Programme Document that articulates its strategic direction and outlines the integration mechanisms for creating synergies at project level, reducing overlaps and enhancing efficiency.	Important	YES	Senior Human Settlements Officer/ Head of Country Programme	Recommendation will be implemented by 30 th September 2023	UN-Habitat accepts this recommendation: The Somalia Country Office is currently using an integration framework on a temporary basis pending the finalisation of the HCPD

¹ Critical recommendations address those risk issues that require immediate management attention. Failure to take action could have a critical or significant adverse impact on the Organization.

² Important recommendations address those risk issues that require timely management attention. Failure to take action could have a high or moderate adverse impact on the Organization.

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						that has been initiated. The HCPD will supersede the Integration framework once approved and will contribute to creating synergies and enhancing efficiency.
3	The UN-Habitat Somalia Country Office should: (i) develop an action plan to address delays in project implementation, including effective monitoring for timely corrective action to address the delays; and (ii) strengthen accountability to ensure efficient and effective implementation of project activities.	Important	YES	Senior Human Settlements Officer/ Head of Country Programme	Recommendation will be implemented by 28 th February 2023	UN-Habitat accepts this recommendation: The Somalia Country Office will establish necessary mechanisms to track project deadlines and monitor delays in implementation. In addition, the Project Managers will be trained on the centralized project monitoring tools to ensure timely reporting of progress and challenges. Finally, the Country Office will strengthen the accountability mechanism of Project Managers in line with the framework. The above action plan can only be successfully implemented if the Somalia Country Office gets the required timely support from the HQ.
4	The UN-Habitat Somalia Country Office should undertake competitive solicitation and conduct due diligence and comparative assessments before selecting implementing partners to ensure that the most suitable collaborations are established.		YES	Senior Human Settlements Officer/ Head of Country Programme	Recommendation will be implemented by 30 th June 2022	UN-Habitat accepts this recommendation: It should be noted that most of the IPs with the Country Office are Government Entities of which the

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						<p>competitive solicitation is not required.</p> <p>In addition, during the audit period the Non-Governmental Entities that were engaged by the Country Office had exception waivers from competitive solicitation in line with the policy.</p> <p>The country office always conducts due diligence for all IPs as seen in the documentation presented to the Legal Office during clearance.</p>
5	The UN-Habitat Somalia Country Office should: (i) establish mechanisms for follow up on delayed implementation and reporting by implementing partners; (ii) strengthen project monitoring by instituting spot checks, site visits and validation of outputs; and (iii) ensure accountability for in-kind contributions.	Important	YES	Senior Human Settlements Officer/ Head of Country Programme	Recommendation will be implemented by 31 st March 2023	<p>UN-Habitat accepts this recommendation:</p> <p>The Somalia Country Office will set out an action plan for Implementing Partner Management according to the UN-Habitat Policy for Implementing Partners. This will include (i) Developing guidelines and procedures for managing IPs in line with the IP policy. (ii) Capacity building and trainings for staff and IPs on monitoring and reporting, (iii) strengthen our internal AoC monitoring templates and mission reports to include spot-checks, site visits and validation of outputs.</p>
6	The UN-Habitat Somalia Country Office should ensure that all evaluations meet the requirements outlined in the UN-Habitat	Important	YES	Senior Human Settlements Officer/ Head	Recommendation will be implemented by	UN-Habitat accepts this recommendation:

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	Evaluation Policy of January 2013, the Revised UN-Habitat Evaluation Framework of September 2015, and administrative instruction AI/2021/3.			of Country Programme	31 st December 2022	The Somalia Country Office has already started implementing this recommendation by engaging the Evaluation Unit in all upcoming and recently concluded evaluations.
7	The UN-Habitat Somalia Country Office should: (i) expedite the closure of all expired grants in line with standard operating procedures on financial closure of projects; and (ii) comply with reporting requirements outlined in the donor agreements through timely financial reporting and accurate accounting for co-funding.	Important	YES	Senior Human Settlements Officer/ Head of Country Programme & (ai) Programme Management Officer (PMO)	Recommendation will be implemented by 28 th February 2023	UN-Habitat accepts this recommendation: The Somalia Country Office is fast tracking the closure of expired grants and this should be finalised before the end of 2022. For the grants that are currently ending, the Country Office has ensured that the closure is in line with the UNON SOPs on financial closure of projects. Going forward the Country Office will endeavor to fully close grants before the end of the financial closure period of 12 months. The Somalia Country office will also establish mechanisms to ensure the periodic submission of financial reports to the donor and in line with the signed contribution agreements.
8	The UN-Habitat Somalia Country Office should expedite the recruitment of a Programme Management Officer for Finance to strengthen financial management.	Important	YES	UN-Habitat HQ, UNON and Senior Human Settlements Officer/ Head	Recommendation will be implemented by 31 st December 2022	UN-Habitat accepts this recommendation: The Somalia Country Office will continue to work closely with UN-Habitat HQ and UNON to expedite the

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				of Country Programme		recruitment of the Programme Management Officer.
9	The UN-Habitat Regional Office for Africa should: (i) ensure that only staff with delegation of authority undertake procurement activities for the UN-Habitat Somalia Country Office, and that the use of such delegation is appropriately supervised; and (ii) ensure that the UN-Habitat Somalia Country Office invites only qualified vendors to bid.	Important	YES	Director Regional Office for Africa & Senior Human Settlements Officer/ Head of Country Programme	Recommendation will be implemented by 30 th June 2023	UN-Habitat accepts this recommendation: The Somalia Country Office will continue to work closely with UN-Habitat ROAf and UNON to ensure the procurement guidelines are followed.