



INTERNAL AUDIT DIVISION

REPORT 2025/020

Audit of management of implementing partners at the United Nations Human Settlements Programme

Processes for selection, management and monitoring of implementing partners needed to be strengthened

27 June 2025

Assignment No. AA2024-250-01

Audit of management of implementing partners at the United Nations Human Settlements Programme

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of management of implementing partners 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 effective management of implementing partners at UN-Habitat. The audit covered the period from 1 January 2022 to 31 December 2024 and included a review of risk areas in the management of implementing partners which included: (i) regulatory framework; (ii) identification and selection of partners; (iii) project implementation, monitoring and reporting; (iv) financial management; and (v) adequacy of systems, practices and processes for managing data.

The audit showed that processes for selection, management and monitoring of implementing partners needed to be strengthened.

OIOS made 11 recommendations. To address the issues identified in the audit, UN-Habitat needed to:

- Establish a comprehensive policy framework to govern community agreements to ensure effective engagement and accountability for funds;
- Conduct a comprehensive assessment of risks that are specific to implementing partners, update the risk register accordingly, and provide training for its staff on project risk management;
- Strengthen the documentation and review for partner selection by ensuring that the capacity assessment tool is fully used to document the assessments for each partner;
- Develop an action plan to address causes of delays in project implementation to ensure efficient and effective realization of project objectives;
- Enhance measures to ensure sustainability of projects beyond their implementation period by improving stakeholder engagement during project planning and proposing post-completion maintenance activities;
- Ensure that gender perspectives are integrated in all phases of its projects, and that they are adequately measured and reported.
- Establish a comprehensive mechanism for project performance assessment and monitoring;
- Ensure that implementing partners comply with the policy on external audits and establish robust mechanisms for tracking and following up on implementation of the related audit recommendations;
- Ensure that implementing partners accurately document and report on in-kind contributions;
- Strengthen financial oversight of its implementing partners by: ensuring that all expenditures charged to projects are fully supported with adequate documentation; and procurement policies are complied with to assure transparency and cost efficiency; and
- Establish a centralized repository of information pertaining to implementing partners and provide guidance on the information that should be uploaded in the Umoja Grantor Module.

UN-Habitat accepted 10 recommendations and has agreed to implement them. Actions required to close these recommendations are indicated in Annex I. UN-Habitat did not accept the recommendation on strengthening financial oversight of its implementing partners. OIOS maintains that the audit showed expenditures that could not be linked to the projects to which they were charged. This is a control deficiency that needs to be addressed to ensure accountability to donors. This unaccepted recommendation has been closed without implementation based on UN-Habitat's acceptance of the residual risks and may be reported to the General Assembly in the next OIOS annual report.

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Audit of management of implementing partners at the United Nations Human Settlements Programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of management of implementing partners at the United Nations Human Settlements Programme (UN-Habitat).
2. UN-Habitat operates in more than 90 countries to promote socially and environmentally sustainable towns, cities and human settlements through knowledge dissemination, policy advice, technical assistance and fostering collaborative efforts. Its normative strategies for sustainable urban development include research, capacity building, establishing standards, sharing best practices and aiding policy development. UN-Habitat also provides technical support in various forms, leveraging its expertise in sustainable urbanization and crisis management.
3. In accordance with General Assembly resolution 70/1 of 21 October 2015, UN-Habitat executes its global mandate through wide-ranging partnerships with governments, intergovernmental and non-governmental organizations, United Nations agencies, academia, civil society and the private sector. It engages partners through various legal instruments such as Memoranda of Understanding, Contribution Agreements and Agreements of Cooperation (AOC). UN-Habitat's Implementing Partner Policy of January 2017 and other supplementary operational procedures and guidelines govern the management of implementing partners.
4. Implementing partners operate under defined technical assistance projects executed within a specified timeframe. Funds disbursed to partners are managed through the Umoja Grantors Module. Between January 2022 and January 2025, UN-Habitat disbursed \$115.52 million to 1,028 implementing partners through 400 grants. As of 31 January 2025, \$74.38 million had been accounted for through expenditure reports and financial statements. Outstanding advances of \$41.14 million were held by 284 implementing partners through 115 grants.
5. Project managers (who report to heads of the operational units) oversee the work of implementing partners, assisted by Programme Management Officers who are responsible for ensuring that funds are utilized effectively and are accounted for. At the time of the audit, UN-Habitat had 13 Programme Management Officers (five each at P-4 and P-3, and three National Officers).
6. Comments provided by UN-Habitat are incorporated in italics.

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

7. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes in ensuring effective management of implementing partners at UN-Habitat.
8. This audit was included in the 2024 risk-based work plan of OIOS due to the risk that potential weaknesses in the management of implementing partners could adversely affect project implementation and accomplishment of UN-Habitat's objectives.
9. OIOS conducted this audit from July to December 2024. The audit covered the period from 1 January 2022 to 31 December 2024. Based on an activity-level risk assessment, the audit covered risk areas in the management of implementing partners which included: (i) regulatory framework; (ii) identification

and selection of partners; (iii) project implementation, monitoring and reporting; (iv) financial management; and (v) adequacy of systems, practices and processes for managing data.

10. The audit methodology included: (a) interviews with key personnel; (b) review of agreements and other relevant documentation; (c) analytical review of data using Umoja Business Intelligence (BI) and Microsoft Excel; (d) assessment of systems, practices and processes for data management; (e) sample test of transactions; and (f) site visits to some project locations.

11. To assess the reliability of data pertaining to management of implementing partners, OIOS reviewed data in the Umoja Grantor's Module and traced a random sample of data to source documents.

12. The audit was conducted in accordance with the Global Internal Audit Standards.

III. AUDIT RESULTS

A. Regulatory framework

Need to strengthen accountability for grants paid to community-based organizations

13. UN-Habitat partnered with community-based organizations (CBOs) to enhance community participation in urban development, address housing challenges, and improve living conditions for the urban poor. Unlike conventional partnerships that were managed through AOCs and which required disbursed funds to be recorded as advances pending adjustment, CBOs were engaged through community agreements under which UN-Habitat provided financial support to communities in the form of grants.

14. UN-Habitat did not have a comprehensive policy framework to govern community agreements and ensure accountability of funds disbursed to CBOs. Although operating procedures outlined the conditions for fund disbursement, they lacked clear guidance on financial management, internal controls and risk mitigation for these engagements. In addition, reports showing funds utilization and implementation of activities were not consistently kept in the Umoja Grantor Module.

(1) UN-Habitat should establish a comprehensive policy framework to govern community agreements to ensure effective engagement and accountability for funds.

UN-Habitat accepted recommendation 1 and stated that it currently maintained procedures, guidance, practices and a legal instrument template to govern community agreements in country offices operating them. This framework was designed to effectively mitigate the risks associated with these agreements. A draft policy had already been developed, and efforts would be expedited to finalize it to address and close the recommendation.

Need for comprehensive assessment of risks pertaining to partners

15. UN-Habitat updated its guidelines for implementation of enterprise risk management in July 2020, reconstituted its Risk, Oversight and Advisory Committee, and finalized its risk register in May 2023.

16. However, UN-Habitat had not conducted a comprehensive assessment of risks that were specific to implementing partners including risks of fraud, operational inefficiencies or financial mismanagement. Also, UN-Habitat staff were not trained in identifying and mitigating project-specific risks. For example, contracts for three infrastructure projects did not include a defects liability clause and performance bond requirements, exposing UN-Habitat to financial risks.

- (2) UN-Habitat should: (a) conduct a comprehensive assessment of risks that are specific to implementing partners and update its risk register accordingly; and (b) provide training for its staff on project risk management.**

UN-Habitat accepted recommendation 2 and stated that it has a comprehensive implementing partner risk assessment in place; however, it has not recently been updated. UN-Habitat would like to highlight and clarify that it has in place various control mechanisms designed to effectively manage risks. These included the Implementing Partner Policy, legal clearance and agreement templates, a rigorous selection review process, delegation instruments, audit requirements and payment certification procedures, as well as financial and programmatic reporting requirements.

B. Identification and selection of partners

Need for a reliable system for managing partner identification and selection

17. UN-Habitat had standard operating procedures (SOP) for identification and selection of implementing partners which required solicitation of partners through calls for proposals and comparative analysis of bidding organizations, including whether they possessed the technical and financial capacity to implement projects. Although United Nations agencies, government entities and inter-governmental organizations were exempt from competitive selection, they still underwent capacity assessments and review by the Implementing Partner Steering Committee (IPSC) for projects with funding above \$500,000.

18. OIOS' review showed the following:

(a) While IPSC was to discharge its oversight responsibilities as a five-member committee, only three members regularly attended its meetings to review partner selection. In two instances, attendance had dropped to two members. There was no evidence that IPSC meetings were held for 7 of the 23 projects reviewed. Also, IPSC did not follow-up its recommendations. Five out of 14 recommendations reviewed were not implemented in a timely manner. Furthermore, the requirement to establish Divisional and Regional IPSCs to assess grants below \$500,000 was not adhered to.

(b) According to the SOP for identification and selection of implementing partners, substantive officers managing project implementation were solely responsible for issuing calls for proposals, conducting capacity assessments, and submitting partnership agreements and related supporting documents to IPSC. While UN-Habitat indicated that other staff were involved, their involvement in the identification and selection process was not evident. Further, documentation related to this entire process was under the custody of the same substantive officers because UN-Habitat did not have a central repository for such records. This lack of segregation of duties needs to be addressed to assure competitive selection based on objective criteria.

(c) There was need to ensure that substantive officers used the Implementing Partner Capacity Assessment Tool (IPCAT) for assessment of partners. The tool required substantive officers to respond to a series of questions and provide supporting documentation. OIOS requested IPCAT documents for a sample of 30 projects but only received them for 18 projects. Of these, only one was accompanied by supporting documents showing the basis for the responses given. None of the 18 IPCAT documents indicated the name of the partner, and only four were signed. Also, the assessed capacity gaps of partners were not documented.

- (3) UN-Habitat should strengthen the documentation and review for partner selection by ensuring that the capacity assessment tool is fully used to document the assessments for each partner.**

UN-Habitat accepted recommendation 3 and stated that it is strengthening its Implementing Partnership Risk Management policy by developing a mechanism to ensure the comprehensive utilization of the capacity assessment tool. This mechanism will facilitate thorough documentation of assessments for each partner.

C. Project implementation, monitoring and reporting

19. Project implementation involves the execution of activities to achieve agreed outputs and outcomes as specified in the related agreements. UN-Habitat disbursed funds in instalments upon receiving the required periodic narrative and financial reports from implementing partners. Project managers relied on implementation reports and site visits to monitor project implementation, while Programme Management Officers used partners' financial and audit reports to review funds utilization. At least one audit was mandatory for grants between \$100,000 and \$500,000 while two audits were required for grants above \$500,000.

20. OIOS reviewed the implementation, monitoring and reporting of 14 projects managed by 12 implementing partners valued at \$14.3 million. This included visits to eight projects located in Laos, Cambodia and Kenya, and conducting desk reviews for six projects that were implemented in Mozambique, Yemen, Egypt, Tanzania, the Democratic Republic of the Congo (DRC) and Jamaica. Results of the site visits and desk reviews are summarized below.

Delay and suspension of projects during implementation

(i) Delayed implementation

21. Eleven of the 14 projects reviewed experienced delays for reasons such as slow constitution of the partners' teams, late disbursement of funds by UN-Habitat, high turnover of implementing partner staff, poor performance of vendors contracted by partners, funding deficits due to donor re-organization, and adverse weather conditions which affected some construction projects. Five projects suffered delays of between two to three years with multiple no-cost extensions.

(ii) Suspension of implementation

22. There were significant challenges with three out of the 14 projects which resulted in their suspension due to minimal progress or closure after partial implementation as detailed below:

(a) Despite a three-year extension, a project for establishment of a city bicycle sharing system in Egypt at a cost of \$950,000 was only partially implemented and subsequently closed. The main reason for this was delayed buy-in by the country's traffic authority during the project planning phase. In addition, the country's line ministries responsible for the city's infrastructure which planned to construct its own bicycle lanes as part of the city's upgrade initiative was not sufficiently consulted during the planning of the project. This resulted in the loss of crucial support from this primary stakeholder for the project's activities. Other reasons for delay included the impact of the COVID-19 pandemic, import and foreign currency restrictions, and poor vendor performance. As a result, bicycle lanes were completed for only 2 out of the planned 12 kilometres after utilizing 55 per cent of the allocated funding. The project did, however, result in the operationalization of 250 bicycles and establishment of 25 bicycle stations.

(b) Two projects with a total value of \$417,476 implemented by local authorities in Tanzania (\$224,176) and Jamaica (\$193,300) for water and sanitation and construction of public space, respectively, were only partially executed. The Tanzania project stalled due to change of management, new government regulations, delayed procurement of construction items and poor vendor performance. On the other hand, the project in Jamaica was affected by delayed government approvals as well as changes in design and related costs. At the time of the audit, UN-Habitat had disbursed \$134,505 to the Tanzania partner but the amount remained unaccounted for despite follow up by UN-Habitat project staff.

(4) UN-Habitat should develop an action plan to address causes of delays in project implementation to ensure efficient and effective realization of project objectives.

UN-Habitat accepted recommendation 4 and stated that its operational environment is complex and challenging, which can inevitably lead to delays. Therefore it is crucial for UN-Habitat to continually seek ways to improve processes and minimize impact of delays on project outcomes. To address this, UN-Habitat will establish a system for tracking projects “at-risk”, including delayed projects, through more rigorous project and partner performance monitoring processes, allowing proactive identification of root causes, intervention and risk mitigation.

Need to enhance measures to support project continuity and sustainability

23. In line with Sustainable Development Goal 11, one of the core mandates for UN-Habitat is promoting sustainability and resilience in urban development. This requires robust measures that enhance the longevity and impact of projects and their adaptability to future challenges. This includes integrating sustainability considerations into all phases of project planning, implementation and maintenance. OIOS noted the following:

(a) In Laos, post-implementation assessment of three projects that were completed in March 2023 at a cost of \$2.1 million highlighted possible sustainability risks. At the time of the audit, 25 of the 189 implemented water facilities (boreholes, borewells, surface water and gravity-fed systems) were found to be non-functional. This was attributed to weather-related challenges such as drought, severe flooding and landslides, as well as limited financial and technical capacity of local authorities and communities to maintain and repair the facilities. According to UN-Habitat, these dysfunctions were temporary and would be repaired by the community. However, there was no evidence to show their subsequent restoration. Construction of two other water supply projects valued at \$4 million was affected by floods, and repairs for one construction project that suffered structural damage were delayed due to lack of funding. According to UN-Habitat, the implementing partner had committed to finance the necessary repairs and was actively exploring risk mitigation measures to strengthen resilience.

(b) In Cambodia, a \$5 million project was implemented to restore mangrove forests and construct and rehabilitate water infrastructure, among other activities. OIOS did not receive information regarding the post-project sustainability measures implemented, including the allocation of resources for subsequent maintenance of this infrastructure. Also, a resilient housing initiative costing \$455,981 had minimal uptake by the community due to prohibitive construction costs of \$15,000 per unit.

(c) In Kenya, a 500-meter road was renovated using innovative soil-hardening technology at a cost of \$126,324. Within two years, sections of the road had deteriorated. Similarly, public infrastructure facilities including play areas, a women’s shelter and a water system were constructed under the same project at a cost of \$67,255. Although these facilities were functional, they showed signs of wear and tear. This was because sustainable use and maintenance of these facilities were not effectively planned for in consultation with stakeholders.

(d) In DRC, the implementing partner supported the government in strengthening the National Land Reform Commission and implementing a land information system in two provinces. The project was completed in June 2022, but there was no evidence of the continued functionality and effectiveness of these systems in supporting the country's land reform efforts.

(5) UN-Habitat should enhance measures to ensure sustainability of projects beyond their implementation period by improving stakeholder engagement during project planning and proposing post-completion maintenance activities.

UN-Habitat accepted recommendation 5 and stated that it will enhance the sustainability of projects managed by implementing partners by improving project templates to strengthen stakeholder engagement throughout the project planning and implementation phases. Subject to resources available, this will also include the integration of post-completion activities to ensure continued benefits and effective maintenance of project outcomes.

Need to enhance gender considerations during implementation

24. UN-Habitat had developed guidelines and tools to facilitate the integration of gender considerations at every stage of the project lifecycle, including planning, design, implementation, monitoring and evaluation. OIOS' review of 14 projects on sample basis showed that integration of gender perspectives was not consistently implemented, measured and reported in five projects as follows:

(a) In Egypt, a focus group review of gender mainstreaming in project implementation was undertaken but at the time of the audit, the recommendations were yet to be implemented.

(b) In Tanzania, the partially implemented water and sanitation project reported that 26 latrines that would support gender equity were under construction, but there was no confirmation on their completion.

(c) In Cambodia, gender-segregated data showed a noticeable lack of female participation particularly in capacity building initiatives, which hindered the project's effectiveness in promoting gender equity. According to UN-Habitat, effort had been made to promote female participation, but this had been hampered by cultural barriers.

25. The lack of effective integration of gender perspectives into urban development projects may limit their impact in promoting gender equality outcomes.

(6) UN-Habitat should ensure that gender perspectives are integrated in all phases of its projects, and that they are adequately measured and reported.

UN-Habitat accepted recommendation 6 and stated that it was committed to strengthening its approach by mainstreaming gender considerations in planning, implementation, monitoring, and reporting processes. UN-Habitat will review and enhance its existing frameworks to ensure that gender dimensions are adequately measured, documented, and reported across all projects to promote greater inclusivity and impact.

Need to enhance monitoring of implementing partner activities

(i) Programme monitoring

26. In the absence of a SOP, there was no standardized approach to monitoring implementing partners' activities. Additionally, programme officers were not required to prepare monitoring plans during project

planning, which resulted in inconsistent monitoring practices. For example, six out of the 14 projects reviewed had regular and comprehensive monitoring while five other projects showed no evidence of monitoring activities. Notably, for two projects in Kenya the responsible officer had neither conducted site visits nor maintained familiarity with the projects. UN-Habitat explained that the projects were inspected by technical officers before their closure. The remaining three projects also had irregular monitoring practices, including one instance where a mission report only documented meetings held without addressing activity progress or output achievement.

(ii) Financial monitoring

27. Financial monitoring of partners' use of disbursed funds was inadequate, as it was limited to desk review of financial and audit reports without verification of underlying records or on-site assessments. Further, there was no evidence that partners were apprised on the documentation required to support financial transactions. As a result, some partners did not provide supporting documentation to corroborate the payments made.

28. UN-Habitat had limited staffing resources to undertake effective financial monitoring of all implementing partners. However, it had not established a mechanism for identifying high-risk partners for closer monitoring such as through regular spot checks, particularly for larger projects that were experiencing significant delays in implementation or in managing substantial funding allocations. The absence of a comprehensive monitoring mechanism impaired UN-Habitat's ability to identify and respond to challenges affecting project implementation to ensure value for money, strengthened oversight and accountability for funds disbursed to partners.

(7) UN-Habitat should establish a comprehensive mechanism for project performance assessment and monitoring to promote effective implementation and ensure accountability for funds disbursed to partners.

UN-Habitat accepted recommendation 7.

(iii) External audits

29. UN-Habitat did not effectively enforce its implementing partner policy on external audits. Five of the 14 projects reviewed had audit reports without management letters while another eight projects had management letters without evidence of follow-up on implementation of audit recommendations. Although UN-Habitat provided a standard terms of reference (TOR) template for external audits, only two partners adhered to it, with one significantly modifying the TOR to narrow the audit scope. Of particular concern were the audits of two projects in Kenya valued at \$560,000 which highlighted unsupported payments in the management letter. While UN-Habitat took note of these unsupported payments, no follow up action was taken to assess the root cause of the deficiencies and to ensure corrective action.

(8) UN-Habitat should: (a) ensure that implementing partners comply with the policy on external audits; and (b) establish robust mechanisms for tracking and following up on implementation of the related audit recommendations.

UN-Habitat accepted recommendation 8 and stated that it will establish robust mechanisms for tracking compliance with audit requirements and implementation of audit recommendations to ensure timely and effective assurance and corrective action across all projects.

Need to account for in-kind contributions from implementing partners

30. UN-Habitat's policy requires that partners' cash or in-kind contributions towards project implementation be documented, reported and monitored to ensure project delivery and accountability. However, contributions made by implementing partners were not adequately accounted for. Twelve out of 14 projects reviewed committed to provide in-kind contributions such as staff time, office space and operating costs totaling \$951,033. However, except for the project in Yemen, the remaining projects did not report on their contributions, and no supporting documentation was provided. The remaining two projects did not disclose their contributions, and no explanation was provided for this omission.

31. In-kind contributions were also inaccurately documented in the agreements. For instance, seven out of the 14 projects involved infrastructure construction carried out in collaboration with government institutions. However, the value of the land on which the infrastructure was built was not assessed or included as part of the in-kind contribution.

(9) UN-Habitat should ensure that implementing partners accurately document and report on in-kind contributions, as required.

UN-Habitat accepted recommendation 9 and stated that it will take steps to strengthen guidance and oversight to ensure that all in-kind contributions are properly recorded and reported in accordance with established requirements.

D. Financial management

Controls over funds disbursed need to be strengthened

32. OIOS' review of seven selected projects with a grant value of \$10.8 million showed the following:

(i) Questionable project expenditure

33. During the period under review, UN-Habitat engaged a not-for-profit entity through two partnership agreements valued at \$560,000 to carry out a series of initiatives at a refugee camp in Kenya. These included: (i) rehabilitation of a 500-meter road using innovative soil-hardening technology at a cost of \$126,324; (ii) construction of various public space amenities totalling \$67,255; and (iii) purchase and installation of three thermography cameras at a cost of \$93,340.

34. Included in the expenditure were cash transfers made by the implementing partner to UN-Habitat staff and consultants stationed at the UN-Habitat refugee camp office. According to the partner, they were required to make these cash payments regularly to maintain the UN-Habitat office. These payments, which totalled \$36,755, were received by individual staff members and were corroborated with receipts, mobile money transfer screenshots and sign-in sheets. UN-Habitat indicated that there was an arrangement with the implementing partner to assist UN-Habitat staff in executing certain activities. However, UN-Habitat appeared to be unaware of this arrangement prior to the audit and did not provide clarification on why some of the expenditure was for other unrelated projects. Further, none of the payments could be directly linked to the achievement of any project objectives.

35. A site visit by OIOS showed that the length of the rehabilitated road measured only 380 meters, rather than the 500 meters shown on the roadside signage and reported to the donor. UN-Habitat attributed this discrepancy to a reporting error.

36. While the implementing partner reported procuring three thermography cameras, its records showed that only two cameras were purchased at a cost of \$62,370. However, during the site visit to the refugee camp, all three cameras were presented, but due to inconsistent documentation, OIOS could not verify whether the cameras were acquired under this project. The partner had also circumvented its procurement procedures by splitting a contract for equipment hire and supply of construction material valued at \$50,002 to allow acquisition at the partner's refugee camp office instead of its headquarters office in Nairobi.

(ii) Inconsistent expenditures

37. In Laos, \$85,000 was paid for the development of two city master plans. The payment was made to an individual even though the contracted party was a public institution. Furthermore, payments of \$57,500 were made to consultants who were not competitively hired. There was no evidence of work done, and some of their outputs were not aligned to project objectives. An additional \$30,451 was spent on travel that was unrelated to the project.

38. In Kenya, a total of \$43,156 was spent on items that were unrelated to the project. These included legal fees and office repair costs for both the implementing partners' headquarters and field offices. These costs, which were approved in the budget as "general expenses", were unrelated to the project work plan.

(10) UN-Habitat should strengthen financial oversight of its implementing partners by: (a) ensuring that all expenditures charged to projects are fully supported with adequate documentation; and (b) procurement policies are complied with to assure transparency and cost efficiency.

UN-Habitat did not accept recommendation 10 stating that reviewing documentation for every single expenditure would require extensive resources, and the cost-benefit of such an approach was questionable. Financial management capacity of each implementing partner was assessed to ensure they met a minimum acceptable threshold before engagement. Ongoing support was provided to partners through training and guidance. Financial assurance is carried out through spot checks and audits, which help verify the availability of sufficient documentation and the appropriate use of resources. In conclusion, while proper documentation is essential, requiring full verification of all expenditures would demand disproportionate resources, which is not considered a cost-effective approach. OIOS notes that the audit showed expenditures that could not be linked to the projects to which they were charged. This is a control deficiency that needs to be addressed to ensure accountability to donors. This unaccepted recommendation has been closed without implementation based on UN-Habitat's acceptance of the residual risks and may be reported to the General Assembly in the next OIOS annual report.

E. Adequacy of systems, practices and processes for managing data

Need to establish a centralized repository for implementing partner information

39. UN-Habitat's policy on implementing partners requires the establishment of a centralized comprehensive database of all screened implementing partners with capacity assessment checks, including key documents related to partner selection, monitoring and reporting of partner activities. OIOS noted the following:

(a) UN-Habitat did not have a dedicated or centralized repository for managing and maintaining data related to implementing partners, resulting in impaired efficiency of the selection process. For example,

there were delays in obtaining partner selection information for the implementing partner in Mozambique because current staff did not have immediate access to the necessary records previously held by a separated staff member.

(b) The project implementation documentation maintained in the Umoja Grantor Module was incomplete and inconsistent. Key documents such as capacity assessment results, narrative and financial reports, and other correspondence were either partially uploaded or not at all. Also, vital information such as capacity gaps or underperforming partners that needed to be blacklisted was not retained in the system. This hindered effective assessment of partner performance when considering new engagements and increased the risk of engaging unsuitable partners.

40. OIOS' review identified three projects with duplicate grantor accounts in the Umoja Grantor Module system, with one case remaining unresolved since 2019.

(11) UN-Habitat should: (a) establish a centralized repository of information pertaining to its implementing partners; and (b) provide guidance on the information that should be uploaded in the Umoja Grantor Module.

UN-Habitat accepted recommendation 11 and stated that it will clarify the types of documentation required to be captured in Umoja and assess the need for an additional centralized repository if Umoja's current capabilities are insufficient.

IV. ACKNOWLEDGEMENT

41. 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.

Internal Audit Division
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of management of implementing partners 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 establish a comprehensive policy framework to govern community agreements to ensure effective engagement and accountability for funds.	Important	O	Receipt of a comprehensive policy framework to govern community agreements.	31 January 2026
2	UN-Habitat should: (a) conduct a comprehensive assessment of risks that are specific to implementing partners and update its risk register accordingly; and (b) provide training for its staff on project risk management.	Important	O	Receipt of: (a) the updated risk register that includes a comprehensive assessment of implementing partner risks; and (b) evidence that training on project risk management has been provided to staff.	31 January 2026
3	UN-Habitat should strengthen the documentation and review for partner selection by ensuring that the capacity assessment tool is fully used to document the assessments for each partner.	Important	O	Receipt of evidence that IPCAT is fully used to document the assessments for each partner.	31 January 2026
4	UN-Habitat should develop an action plan to address causes of delays in project implementation to ensure efficient and effective realization of project objectives.	Important	O	Receipt of evidence that an action plan has been developed to address causes of delays in project implementation.	31 January 2026
5	UN-Habitat should enhance measures to ensure sustainability of projects beyond their implementation period by improving stakeholder engagement during project planning and proposing post-completion maintenance activities.	Important	O	Receipt of evidence of measures taken to ensure sustainability of projects beyond their implementation period.	31 January 2026
6	UN-Habitat should ensure that gender perspectives are integrated in all phases of its projects, and that they are adequately measured and reported.	Important	O	Receipt of evidence that gender perspectives have been integrated in all project phases and are adequately measured and reported.	31 January 2026

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 management of implementing partners at the United Nations Human Settlements Programme

7	UN-Habitat should establish a comprehensive mechanism for project performance assessment and monitoring to promote effective implementation and ensure accountability for funds disbursed to partners.	Important	O	Receipt of evidence that a comprehensive mechanism has been established for performance assessment and monitoring.	31 January 2026
8	UN-Habitat should: (a) ensure that implementing partners comply with the policy on external audits; and (b) establish robust mechanisms for tracking and following up on implementation of the related audit recommendations.	Important	O	Receipt of evidence that implementing partners have complied with the policy on external audits and mechanisms have been established for tracking and following up on implementation of the related audit recommendations.	31 January 2026
9	UN-Habitat should ensure that implementing partners accurately document and report on in-kind contributions, as required.	Important	O	Receipt of evidence that in-kind contributions are being accurately documented and reported.	31 January 2026
10	UN-Habitat should strengthen financial oversight of its implementing partners by: (a) ensuring that all expenditures charged to projects are fully supported with adequate documentation; and (b) procurement policies are complied with to assure transparency and cost efficiency.	Important	C	This unaccepted recommendation has been closed without implementation based on UN-Habitat's acceptance of the residual risks.	Not implemented
11	UN-Habitat should: (a) establish a centralized repository of information pertaining to its implementing partners; and (b) provide guidance on the information that should be uploaded in the Umoja Grantor Module.	Important	O	Receipt of evidence that: (a) a centralized repository of information pertaining to implementing partners has been established; and (b) guidance has been provided on the information that should be uploaded in the Umoja Grantor Module.	31 January 2026

APPENDIX I

Management Response




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FOR A BETTER URBAN FUTURE

MEMORANDUM

To: Mr. Byung-Kun Min
Director Internal Audit
Division, OIOS

Ref: UNH-OED-OM-
250619-01

From: Anaclaudia Rossbach 
Under-Secretary General and
Executive Director

Date: 19 June 2025

Subject: Draft report on an audit of management of implementing partners at the United Nations Human Settlements Programme (Assignment No. AA2024-250-01)

I am pleased to submit our comments on the draft audit report referenced above, which are included in the attached Appendix 1. While UN-Habitat has accepted all the audit recommendations, I would also like to request your consideration of the factual corrections outlined in the attached document.

Thank you

Audit report paragraph	Comments
18(a)	<p>The sentence “<i>These members did not always possess the relevant expertise for effective partner evaluation</i>” is not factually correct. The 3 members are subject matter experts in legal, partnership and risk management and have enough expertise to assess whether selection has complied with the due process and partnership risks are assessed and mitigated. UN-Habitat respectfully requests this sentence to be removed from the final published version of the report.</p>
23 (c)	<p>The thermography cameras were intended for screening individuals during the COVID-19 pandemic; however, their use has since been discontinued as circumstances have changed. Therefore, UN-Habitat respectfully requests that OIOS remove this sentence “<i>Also three thermography cameras that cost \$93,340 were not in use</i>”.</p>
34	<p>Proposed language “Included in the expenditure were cash transfers made by the implementing partner to UN-Habitat staff and consultants stationed at the UN-Habitat refugee camp office. According to the partner, they were required to make these cash payments regularly to maintain the UN-Habitat office. UN-Habitat supported expenditures against these payments, which totalled \$36,755, through providing receipts, mobile money transfer screenshots and sign-in sheets, to Implementing Partner. UN-Habitat indicated that there was an arrangement with the implementing partner to collaborate with UN-Habitat in executing project activities in the field and facilitate projects workshops including transportation. UN-Habitat did not provide clarification on why some of the expenditure totalling to \$ 7,800 was for other UN-Habitat projects that could not be directly linked to the achievement of any of the project objectives.”</p> <p>Explanations:</p> <ol style="list-style-type: none"> 1. This arrangement was made by former IP and former UNH project management, to enable the project to proceed, with UN-Habitat supporting some activities, address limitation for personnel circulation during the COVID period and to overcome the petty cash constraints also generated in the same period. 2. An international project personnel was designated by the project management to control the funds including accounting and reconciling the finance records with PWJ monthly. 3. Where possible e.g. Car servicing, payments were done by PWJ to UN-Habitat’s service providers directly. Based on the prevailing circumstances of the activities carried out, UN-Habitat received payments from the IP and incurred expenditure and reported back to PWJ on such project related expenditures.

	<ol style="list-style-type: none"> 4. All these payments were recorded at the UNH field office where documentation was maintained. 5. As drafted, the audit finding fails to mention that all these payments were accounted for and all support documents including receipts, Mpesa messages and signing sheets supplied to the IP for accounting during the project period. 6. As drafted, the audit finding implied that the arrangement was entered into by UN-Habitat field staff and the IP, which is inaccurate. The arrangement was made by the former IP and former UN-Habitat project managers. 7. It is incorrect to say that UN-Habitat was unaware of this arrangement. UN-Habitat's former project manager was fully aware and was in copy of all communications with the IP related to the cash transfers and the accounting of the transferred amounts. [We propose to remove the finding that UN-Habitat was unaware. – see Yuka's (PM) email] 8. The audit finding implies that the entire \$36,755 was not related to the project objectives while \$7,800 was used to support other UN-Habitat projects in the region. All other amounts went to implementing the particular projects.
36	<p>Proposed language "While the implementing partner reported procuring three thermography cameras, their records showed that only two cameras were purchased at a cost of \$62,370. However, during the site visit to the refugee camp, all three cameras were presented, but due to inconsistent documentation, OIOS could not verify whether the third camera was acquired under this project."</p> <p>Explanation:</p> <ol style="list-style-type: none"> 1. As drafted, the audit finding implies that UN-Habitat did not maintain complete documentation for the cameras. This is misleading as UN-Habitat was not responsible for maintaining procurement records such as receipts and delivery notes between the IP and its vendor. 2. UN-Habitat received all three cameras in the field. 3. The IP in their financial reports submitted to UN-Habitat, indicated that they procured all three cameras, within the approved budgets. As such UN-Habitat did not have a basis for further scrutiny of the IP's procurement records. 4. Further, this didn't appear as a questionable project expenditure, given that all the three cameras were delivered by the IP and within the approved budget as stipulated in the AOC.

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Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UN-Habitat should establish a comprehensive policy framework to govern community agreements to ensure effective engagement and accountability for funds.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.
2	UN-Habitat should: (a) conduct a comprehensive assessment of risks that are specific to implementing partners and update its risk register accordingly; and (b) provide training for its staff on project risk management.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.
3	UN-Habitat should strengthen the documentation and review for partner selection by ensuring that the capacity assessment tool is fully used to document the assessments for each partner.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	UN-Habitat is strengthening its Implementing Partnership Risk Management policy by developing a mechanism to ensure the comprehensive utilization of the capacity assessment tool. This mechanism will facilitate thorough documentation of assessments for each partner.

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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4	UN-Habitat should develop an action plan to address causes of delays in project implementation to ensure efficient and effective realization of project objectives.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.
5	UN-Habitat should enhance measures to ensure sustainability of projects beyond their implementation period by improving stakeholder engagement during project planning and proposing post-completion maintenance activities.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.
6	UN-Habitat should ensure that gender perspectives are integrated in all phases of its projects, and that they are adequately measured and reported.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.
7	UN-Habitat should establish a comprehensive mechanism for project performance assessment and monitoring to promote effective implementation and ensure accountability for funds disbursed to partners.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.

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8	UN-Habitat should: (a) ensure that implementing partners comply with the policy on external audits; and (b) establish robust mechanisms for tracking and following up on implementation of the related audit recommendations.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.
9	UN-Habitat should ensure that implementing partners accurately document and report on in-kind contributions, as required.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and Compliance Service (MACS)	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.
10	UN-Habitat should strengthen financial oversight of its implementing partners by: (a) ensuring that all expenditures charged to projects are fully supported with adequate documentation; and (b) procurement policies are complied with to assure transparency and cost efficiency.	Important	No	N/A	N/A	<p>UN-Habitat respectfully declines the recommendation, as the underlying risks are already addressed under Recommendation 7.</p> <p>Reviewing documentation for every single expenditure would require extensive resources, and the cost-benefit of such an approach is questionable. Instead, UN-Habitat adheres to widely accepted good practices across the United Nations system, which include:</p> <p>Assessment of Financial Capacity: The financial management capacity of each implementing partner is assessed</p>

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						<p>to ensure they meet a minimum acceptable threshold before engagement.</p> <p>Capacity Building and Guidance: Ongoing support is provided to partners through training and guidance to help them understand documentation requirements, recognize their importance, and develop the necessary systems and tools for compliance.</p> <p>Financial Assurance Activities: Financial assurance is carried out through spot checks and audits, which help verify the availability of sufficient documentation and the appropriate use of resources.</p> <p>In conclusion, while proper documentation is essential, requiring full verification of all expenditures would demand disproportionate resources, which is not considered a cost-effective approach.</p>
11	UN-Habitat should: (a) establish a centralized repository of information pertaining to its implementing partners; and (b) provide guidance on the information that should be uploaded in the Umoja Grantor Module.	Important	Yes	Head, Risk and Compliance Unit, Management Advisory and	31 January 2026	Comments from UN-Habitat are already reflected in the report under the corresponding recommendation.

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