



INTERNAL AUDIT DIVISION

REPORT 2019/006

Audit of financial management of the Habitat III Conference at the United Nations Human Settlements Programme

**There was need for transparency and
accountability in the use of resources
provided to the Habitat III Secretariat**

**21 February 2019
Assignment No. AA2018/250/03**

Audit of financial management of the Habitat III Conference at the United Nations Human Settlements Programme

EXECUTIVE SUMMARY

The Office of Internal Oversight Services (OIOS) conducted an audit of financial management of the Habitat III Conference 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 over financial management of the Habitat III Conference. The audit covered the period from 2014 to 2018 and included a review of income and expenditure, reporting to donors, and stakeholder attendance in preparatory meetings and the Habitat III Conference.

The Trust Fund for the Habitat III Conference received total income of \$15,088,352 against which the total expenditure was \$15,058,812. The audit concluded that there was need for transparency and accountability in the use of resources provided to the Habitat III Secretariat.

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

- Assign accountability for the failure to comply with the arrangements stipulated in the Habitat III Trust Fund's terms of reference for certifying the expenditures relating to the Habitat III Conference and establish mechanisms to ensure that such violations do not recur **(Critical)**;
- Ensure that the Habitat III Secretariat provides to the General Comptroller of Ecuador all documentation in its possession relating to the selection of the Operator and disbursement of funds by the Operator on behalf of Habitat III **(Critical)**;
- In coordination with the Government of Ecuador, review the expenditure of \$3,786,953 incurred on behalf of the Habitat III Secretariat through the Operator to assure accountability for the funds **(Critical)**;
- Document the lessons learned from the Habitat III Conference to ensure in future that: (a) financial transactions for major conferences such as Habitat III are initiated and approved by staff with appropriate delegation of authority; and (b) agreements for major conferences are concluded in a timely manner before commitments are made;
- Document as a lesson learned from the Habitat III conference that for future conferences, an appropriate system is implemented for tracking, accounting and reporting of in-kind contributions received from donors;
- Review and reconcile all disbursements made to a United Nations agency and ensure that adequate documentation is available to support the expenditure incurred by the agency on behalf of the Habitat III Secretariat;
- Document as a lesson learned from the Habitat III conference that in future, budgets are supported by detailed cost plans to facilitate effective and efficient management of such events;
- Develop an appropriate record management system to manage and safeguard records of major conferences including Habitat III;
- Expedite the financial and substantive reports to donors of the Habitat III Trust Fund to assure transparency for the funds received from donors and sustain their confidence and continued support **(Critical)**; and
- Document as a lesson learned from the Habitat III conference that in future, appropriate mechanisms are established to fully implement the decisions of the General Assembly.

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

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Audit of financial management of the Habitat III Conference at the United Nations Human Settlements Programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of financial management of the Habitat III Conference at the United Nations Human Settlements Programme (UN-Habitat).

2. In its resolution 66/207, the General Assembly decided to convene in 2016 a third United Nations Conference on Housing and Sustainable Urban Development (Habitat III) to reinvigorate the commitment to sustainable urbanization that should focus on implementing a “New Urban Agenda”. The General Assembly also established a Preparatory Committee for Habitat III to oversee the preparations for the Conference. The Government of Ecuador hosted the Conference in Quito in October 2016.

3. In resolution 67/216, the General Assembly decided the following:

(a) The objective of the Conference will be to secure renewed political commitment for sustainable urban development, assessing accomplishments to date, addressing poverty and identifying and addressing new and emerging challenges, and that the focus of the conference will include, but will not be limited to, the theme “Sustainable urban development: the future of urbanization”, to be discussed and refined during the preparatory process;

(b) The Conference will result in a concise, focused, forward-looking and action-oriented outcome document, which shall reinvigorate the global commitment to and support for housing and the implementation of a “New Urban Agenda”; and

(c) A trust fund for Habitat III will be established to support the national, regional and global preparations for Habitat III through voluntary contributions.

4. The Secretary-General appointed the Executive Director of UN-Habitat to serve as Secretary-General of the Conference and act as focal point on behalf of the United Nations system. Accordingly, UN-Habitat established a Secretariat for Habitat III to facilitate preparation for and servicing of the Conference. The Secretariat was based in New York with support from the UN-Habitat headquarters in Nairobi. The Secretariat employed 12 staff members (seven professional and five General Service) during the preparatory period up to the hosting of the Conference. The Habitat III Secretariat had a budget of \$21.9 million which was financed through the regular budget (\$7.9 million) and the Habitat III Trust Fund (\$14 million).

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

II. AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

6. The objective of the audit was to assess the adequacy and effectiveness of governance, risk management and control processes over financial management of the preparation and hosting of the Habitat III Conference.

7. This audit was included in the 2018 risk-based work plan of OIOS at the request of UN-Habitat due to financial and reputational risks associated with the preparation and hosting of the Conference.

8. OIOS conducted this audit from August to October 2018. The audit covered the period from 2014 to 2018. Based on an activity-level risk assessment, the audit covered risk areas in the financial management of Habitat III, including a review of income and expenditure, reporting to donors, and stakeholder attendance in preparatory meetings and the Conference.

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

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

III. AUDIT RESULTS

A. Income and expenditure

Expenditure incurred was within income received

11. Between 2014 and 2018, the Trust Fund received income of \$15,088,352 from the resource mobilization activities undertaken by UN-Habitat. Actual expenditure incurred was \$15,058,812, leaving a surplus of \$29,540. Since 2015, financial reports relating to the Trust Fund's expenditures were being generated from Umoja. Prior to that, they were generated from the Integrated Management Information System (IMIS). OIOS reviewed 21 financial reports prepared for donors and determined that they were based on the underlying records in IMIS and Umoja. Table 1 indicates the summary of income and expenditures relating to the Habitat III Trust Fund.

Table 1: Summary of income and expenditures of the Habitat III Trust Fund

Details	Total (\$)
Contributions received	15,068,352
Investment Income	20,000
Total income	15,088,352
Total direct expenditures	13,349,602
Programme Support Costs	1,709,210
Total expenditure	15,058,812
Surplus	29,540

Irregularity in certification of Conference expenditures

12. The Controller designated UN-Habitat as the implementing office responsible for coordinating all aspects of the work programme to be financed from the Habitat III Trust Fund. In particular, the certification function and the reporting line of the certifying officer were to remain with UN-Habitat. These arrangements were spelled out in the terms of reference (TOR) for the Habitat III Trust Fund to ensure proper financial control over the expenditures incurred from the Trust Fund.

13. However, the reporting line of the certifying officer was not complied with. Instead, the Executive Director of UN-Habitat and the Chief of Office of the Executive Director irregularly assigned certifying authority to programme management officers who were solely accountable to Habitat III management, without any reporting relationship to UN-Habitat. As a result of this irregular arrangement, there were no checks and balances over the certification of financial transactions of the Habitat III Secretariat, and the required administrative oversight by UN-Habitat was absent. After the Conference ended, UN-Habitat

continued to receive queries from donors on the funds the latter had contributed to Habitat III but UN-Habitat was unable to respond to them in a timely manner. OIOS is of the view that UN-Habitat's failure to comply with the reporting line of the certifying officer as established in the Trust Fund's TOR is a serious irregularity which calls for assigning accountability as well as establishing mechanisms to prevent recurrence in future.

(1) UN-Habitat should assign accountability for the failure to comply with the arrangements stipulated in the Habitat III Trust Fund's terms of reference for certifying the expenditures relating to the Habitat III Conference and establish mechanisms to ensure that such violations do not recur.

UN-Habitat accepted recommendation 1 and stated that it will ensure accountability and establish mechanisms so that such violations do not recur through proper guidelines and a comprehensive lessons-learned process. Recommendation 1 remains open pending receipt of evidence that accountability has been assigned for failure to comply with the TOR of the Habitat III Trust Fund concerning the certifying of Habitat III expenditures and the mechanisms established to prevent recurrence of such violations.

Lack of transparency and accountability for funds provided by the Government of Ecuador

14. There was lack of transparency and accountability in the use of \$3,786,953 out of the \$9,837,171 provided by the Government of Ecuador for preparation and hosting of the Habitat III Conference. The Government of Ecuador had pledged \$9,837,171 and contributed \$6,050,218 directly to the Trust Fund, whereas the balance of \$3,786,953 was paid to an Operator identified by the Government of Ecuador with the concurrence of the Habitat III Secretariat to support the Conference. As explained below, the initiation, review and approval of transactions through the Operator were not transparent. Key documentation to support approvals of expenditures incurred, and the deliverables produced, were generally incomplete and not systematically filed and archived by the Habitat III Secretariat. OIOS was unable to provide assurance that the funds disbursed through the arrangement with the Operator were properly accounted for in accordance with the agreement with the government, the TOR for the Trust Fund, and the United Nations Financial Regulations and Rules.

(a) Inadequate documentation for \$3,786,953 disbursed through the Operator

15. The Government of Ecuador disbursed the amount of \$6,050,218 to the Habitat III Trust Fund in two instalments of \$4,504,976 on 6 September 2016 and \$1,545,242 on 21 November 2016. The Government of Ecuador disbursed the balance of \$3,786,953 to the Operator in two tranches of \$2,645,137 on 5 October 2016 and \$1,141,816 on 19 October 2016. The Habitat III Secretariat issued written email instructions to the Government of Ecuador to disburse the funds.

16. During a telephone interview, the Coordinator for Habitat III explained that the Government of Ecuador informed the Habitat III Secretariat (through a letter) of its decision to appoint the Operator to support conference preparations following a procurement process undertaken by the Government. The Coordinator further stated that the Secretariat was required to approve the expenditure through a Government ministry before the Operator incurred the expenditure.

17. In a follow-up email, the Coordinator emphasized that the Operator was selected and funded solely by the Government of Ecuador, hence they reported directly to the Government and not to the Habitat III Secretariat. The Habitat III Secretariat was only liaising with the Operator designated by the Government of Ecuador in terms of the implementation of activities for a successful Conference, including the physical set-up of the Conference venue and was not involved in any financial management of the Operator. This

is because the Operator reported directly to the Government and it was the responsibility of the Government to ensure that their funds were used in accordance to Ecuadorian rules and regulations.

18. However, OIOS' review of correspondence with the General Comptroller of the Government of Ecuador indicated that there was active involvement of the Habitat III Secretariat in the selection of the Operator and disbursement of the funds to the Operator, as summarized below:

(a) On 27 July 2016, the Habitat III Secretariat informed the Minister of Development Urban and Housing (MIDUVI) of Ecuador that MIDUVI could propose several companies as options that could support in the management of the funds to be spent in Ecuador.

(b) On 31 August 2016, MIDUVI referred three Ecuadorian companies to the Habitat III Secretariat, including the Operator who was later selected.

(c) On 20 September 2016, the Habitat III Coordinator emailed the Habitat III Project Manager of MIDUVI regarding payment of \$1,330,000 to the Operator for the preparations that Ecuador had to make for the Conference. The Coordinator also indicated that from this same company (Operator), MIDUVI will proceed to pay any associated expenses or services regarding the Conference.

(d) On 23 September 2016, the Operator sent to the Habitat III Project Manager at MIDUVI (with copy to the Habitat III Coordinator) a quotation for several items aggregating to \$559,568. This amount later appeared as miscellaneous expenses in an expense statement from the Operator. On 23 September 2016, the Habitat III Coordinator confirmed the acceptance of the said quotation.

19. On 1 April 2018, the Permanent Mission of Ecuador to the United Nations requested UN-Habitat to provide to the General Comptroller of Ecuador "information and documents on expenses incurred that justify the amounts reflected in the financial arrangements" relating to the signed agreements between the Government and Habitat III. The Permanent Mission followed up this request in a meeting with the UN-Habitat Office in New York on 8 May 2018. Furthermore, the Comptroller reiterated this request to OIOS during a meeting held on 21 September 2018 and stated that they needed supporting documentation for expenditure amounting to \$3,786,953 that was paid through the Operator on behalf of Habitat III.

20. Three key staff (including two programme management officers) stated that they were not aware of Habitat III transactions with the Operator, although they seemed to be aware that the Government of Ecuador had provided in-kind contributions for the Conference. However, OIOS is of the view that since the programme management officers of Habitat III were appointed to perform the functions of certifying officers, they should have been involved in processing the transactions with the Operator.

21. The Habitat III Secretariat provided a copy of a letter from the Operator to MIDUVI listing the expenditures that were incurred utilizing the amount of \$3,786,953. OIOS reviewed the list and assessed that the Operator was paid \$1,116,076 for items that were supposed to be provided by the host Government as in-kind contributions in terms of the agreement. Table 2 provides the breakdown of the expenditure incurred through the Operator.

Table 2: Expenditure incurred through the Operator

Details	Amount (\$)
Expenditure on items covered as in-kind contribution as per Annex I of the agreement	1,116,076
Expenditure on items budgeted for in the Habitat III Trust Fund as per Annex II	2,008,422
Expenditure on items covered as both in-kind contribution (Annex I) and contribution to the Habitat III Trust Fund (Annex II)	646,458
Expenditure neither covered in Annex I nor Annex II	15,998
Total	3,786,954

22. The Habitat III Secretariat did not maintain adequate documentation on the Operator’s transactions, including the deliverables received for the expenditures incurred. The lack of oversight, transparency and accountability for the \$3,786,953 disbursed through the Operator on behalf of Habitat III poses a risk to the reputation of UN-Habitat and needs to be addressed as a matter of priority.

(2) UN-Habitat should ensure that the Habitat III Secretariat provides to the General Comptroller of Ecuador all documentation in its possession relating to the selection of the Operator and disbursement of funds by the Operator on behalf of Habitat III.

UN-Habitat accepted recommendation 2 and stated that it will liaise with the Secretariat of Habitat III to collect and compile all documentation in its possession relating to the selection of the Operator and disbursements and administration of funds by the Operator and submit to the General Comptroller of Ecuador. Recommendation 2 remains open pending receipt of evidence of submission of all documentation relating to the Operator to the General Comptroller of Ecuador.

(3) UN-Habitat, in coordination with the Government of Ecuador, should review the expenditure of \$3,786,953 incurred on behalf of the Habitat III Secretariat through the Operator to assure accountability for the funds.

UN-Habitat accepted recommendation 3 and stated that it has already started to act on the implementation of this recommendation and has written a note verbale to the Ministry of Urban Development and Housing of the Republic of Ecuador to coordinate a review of the disbursements and related expenditures incurred by the Operator to ensure accountability for the funds. Recommendation 3 remains open pending receipt of evidence of completion of the review of expenditures incurred through the Operator.

(b) Transactions were authorized outside the delegation of authority

23. The Coordinator of the Habitat III Secretariat had delegation of authority for: recruitment of consultants and individual contractors; approval of obligations for consultancy or individual contracts up to \$50,000; and to sign standard agreements and legal instruments up to \$1 million.

24. Therefore, the authorization to the Government of Ecuador to disburse funds to the Operator was outside the Coordinator’s delegation of authority. Additionally, the Coordinator instructed the Government of Ecuador to disburse the \$3,786,953 to the Operator by emails and not through formal, official letters on behalf of the United Nations.

25. The host agreement was signed on 6 October 2016 which was only 11 days before the start of the Conference (17 October 2016). By this time, most of the transactions had already been concluded; the

signing of the agreement was just a formality. For the future, UN-Habitat needs to ensure such agreements are concluded in advance, before commitments are made, to avoid the risk of disputes.

(4) UN-Habitat should document the lessons learned from the Habitat III Conference to ensure in future that: (a) financial transactions for major conferences such as Habitat III are initiated and approved by staff with appropriate delegation of authority; and (b) agreements for major conferences are concluded in a timely manner before commitments are made.

UN-Habitat accepted recommendation 4 and stated that it will initiate a comprehensive lessons-learned process with all relevant officers from the secretariats of Habitat III, UN-Habitat and the United Nations. Recommendation 4 remains open pending receipt of the lessons learned report on the Habitat III Conference.

Need to record in-kind contributions

26. The United Nations Finance and Budget Manual of October 2012 states that “pledges of contribution-in-kind are to be given an estimated monetary value at the time the contributions are received. When reporting on the estimated monetary value of a contribution the basis or assumption on which the valuation was made, should be disclosed”. In the case of Habitat III, in-kind contributions represent cost savings on items that the Secretariat would have ordinarily been paying for. Even though UN-Habitat had developed a system for tracking, accounting and reporting of in-kind contributions received from donors, the Habitat III Secretariat did not use it.

27. The Habitat III Secretariat did not maintain complete and accurate records of the in-kind contributions received for Habitat III to enable them to be appropriately reflected in the accounts in accordance with the International Public Sector Accounting Standards. UN-Habitat needs to ensure for the future that in-kind contributions are fully documented and accounted for as required.

(5) UN-Habitat should document as a lesson learned from the Habitat III conference that for future conferences, an appropriate system is implemented for tracking, accounting and reporting of in-kind contributions received from donors.

UN-Habitat accepted recommendation 5 and stated that it will initiate a comprehensive lessons-learned process with all relevant officers from the secretariats of Habitat III, UN-Habitat and the United Nations. Recommendation 5 remains open pending receipt of the lessons learned report on the Habitat III Conference.

Need for adequate documentation to support expenditure incurred through a United Nations agency

28. A United Nations agency (hereafter referred to as “Agency A”) provided support services to Habitat III through a memorandum of understanding signed between the parties on 3 August 2014. The support included hiring of consultants and facilitation of travel of participants to meetings and the Conference. The Habitat III Secretariat issued instructions to Agency A on the services required, and advanced funds to it. Agency A incurred the expenditure and charged it to the advance received from the Habitat III Secretariat. During the period 2016 to 2017, the total expenditure incurred by Habitat III through Agency A amounted to \$4,615,000.

29. There was inadequate documentation to support the expenditure incurred by Agency A on behalf of Habitat III. The Habitat III Secretariat provided OIOS with periodic financial statements received from Agency A that only stated the total expenditure and management fees, commitments, cash received and

fund balance. The Habitat III Secretariat did not provide documentation relating to the instructions that were issued to Agency A to incur the specific expenditures on its behalf. For example, the Habitat III Secretariat did not provide the lists of participants and itineraries that were sent to Agency A for arranging their travel. The Habitat III Secretariat only provided a list of events with participants that were paid air tickets and daily subsistence allowances that it obtained from Agency A. Also, the Habitat III Secretariat provided a list of consultants paid for by Agency A on its behalf, but not the original instructions from Habitat III to Agency A requesting the latter to hire the consultants. Furthermore, no documentation was available to show that Habitat III's records were reconciled with the records of Agency A with regard to the cash advanced, expenditure incurred, and unspent cash balance. Therefore, OIOS concluded that the internal controls for monitoring the expenditures incurred by Agency A on behalf of Habitat III were inadequate to effectively mitigate the financial risks involved.

(6) UN-Habitat should review and reconcile all disbursements made to Agency A and ensure that adequate documentation is available to support the expenditure incurred by Agency A on behalf of the Habitat III Secretariat.

UN-Habitat accepted recommendation 6 and stated that it will liaise with Agency A to review, reconcile and obtain adequate supporting documentation for the expenditure incurred by Agency A on behalf of the Habitat III Secretariat. Recommendation 6 remains open pending receipt of evidence showing the reconciliation of disbursements made to Agency A and the related documentation in support of the expenditures incurred.

Need for cost plans to support budgets

30. The TOR for the Habitat III Trust Fund required the certifying officer to prepare a cost plan, including a detailed budget, for submission to the programme manager (Executive Director of UN-Habitat) and the Controller.

31. The budget for the Habitat III Conference was \$21.9 million consisting of \$7.9 million from the regular budget and \$14 million from voluntary contributions to the Habitat III Trust Fund. The Habitat III Secretariat did not prepare cost plans and detailed budgets to support key planned activities. For example:

(a) There were no breakdowns supporting the planned activities for “knowledge” (\$3 million), “engagement” (\$3 million), “policy” (\$3 million) and “operations” (\$5 million).

(b) There was no information and documentation that could be linked to the contribution agreements with donors. For example, the budget of \$9,837,171 for the Government of Ecuador’s support to the Habitat III Trust Fund was not supported by a detailed cost plan. When OIOS requested the cost plan for the budget of \$3,786,953 for the Operator, only a high-level summary was provided.

(c) There was inconsistency between the format of the budgets presented to donors and the format of the financial statements to be presented to donors. This diminished the usefulness of the financial statements as an instrument for ensuring accountability for the funds.

32. The gaps in budgeting were mainly due to non-involvement of UN-Habitat in their preparation before they were presented to the Preparatory Committee for Habitat III. In the absence of essential information in adequate detail, effective monitoring of the use of resources was compromised.

(7) UN-Habitat should document as a lesson learned from the Habitat III conference that in future, budgets for all important events are supported by detailed cost plans to facilitate effective and efficient financial management of such events.

UN-Habitat accepted recommendation 7 and stated that it will initiate a comprehensive lessons-learned process with all relevant officers from the secretariats of Habitat III, UN-Habitat and the United Nations. Recommendation 7 remains open pending receipt of the lessons learned report on the Habitat III Conference.

Need for systematic record keeping

33. The Secretary-General's Bulletin on record keeping and management of the United Nations archives (ST/SGB/2007/5) requires staff members to safeguard official documents and records. Further, it requires departments and offices to develop procedures to identify and manage their records, including electronic records as part of the overall disaster recovery and business continuity planning. The United Nations Archives and Records Management Toolkit also requires entities to have a recordkeeping/ filing system suited to their operational requirements and includes adequate procedures for classifying, filing and retrieving records.

34. UN-Habitat and the Habitat III Secretariat had not established an adequate physical and electronic record management system to ensure timely and efficient retrieval of important documents related to Habitat III activities. OIOS' review of the filing system showed that there was no central repository of documents. Documents were stored in various locations (such as New York and Nairobi), and on the personal computers of current and past staff members. While Habitat III maintained a website for the Conference, there was no evidence of coordination with UN-Habitat to ensure that key documents were transferred from Habitat III to UN-Habitat and archived for future reference.

35. Consequently, it was difficult to locate records when required by OIOS to substantiate some of the activities undertaken by Habitat III. For instance, the Habitat III Secretariat was unable to provide supporting documentation for the budgeting process, the participants sponsored for Habitat III events, and payment vouchers relating to Habitat III transactions.

36. UN-Habitat needs to establish an appropriate records management system to ensure that the required information relating to the Habitat III Conference would still be available when the next conference is held after 20 years.

(8) UN-Habitat should develop an appropriate record management system to manage and safeguard records of major conferences including Habitat III.

UN-Habitat accepted recommendation 8 and stated that it will establish a system geared to collecting, safeguarding and managing records of major conferences including Habitat III. Recommendation 8 remains open pending the establishment of a system for collecting, safeguarding and managing records of major conferences including Habitat III.

B. Reporting to donors

Need to submit reports to donors in a timely manner

37. One of the key responsibilities of the Habitat III Secretariat was to submit reports to donors on the funds received, their utilization, and achievements accomplished. However, there was no evidence that the

Habitat III Secretariat provided financial and/or substantive reports to donors. Habitat III staff explained that they had prepared most of the financial reports but were waiting for substantive reports to be ready, so that the two sets of reports can be sent together. A key staff member responsible for preparing the substantive reports was away from the office on long leave. Therefore, it was not clear when the reports would be submitted to donors.

38. During meetings with OIOS, donors reiterated the need for UN-Habitat to provide the reports as a means of demonstrating transparency and accountability that was necessary for maintaining donor confidence and trust.

(9) UN-Habitat should expedite the financial and substantive reports to donors of the Habitat III Trust Fund to assure transparency for the funds received from donors and sustain their confidence and continued support.

UN-Habitat accepted recommendation 9 and stated that it will expedite the finalization of both the financial and substantive reports to donors of the Habitat III Trust Fund. Recommendation 9 remains open pending receipt of the financial and substantive reports submitted to donors of the Habitat III Trust Fund.

C. Stakeholder attendance in meetings and the Conference

Need to maintain records for target participants

39. In its resolution 67/216, the General Assembly decided to support the participation of representatives of developing countries in the Preparatory Committee meetings of the Habitat III Conference, as well as in the Conference itself.

40. No records were available showing the representation of participants from developing countries at the preparatory meetings and the Habitat III Conference. It was therefore not possible to assess the extent to which Habitat III succeeded in achieving the General Assembly's intention concerning the participation of representatives from developing countries.

(10) UN-Habitat should document as a lesson learned from the Habitat III conference that in future, appropriate mechanisms are established to fully implement the decisions of the General Assembly, with the required supporting documentation as evidence of implementation.

UN-Habitat accepted recommendation 10 and stated that it will establish appropriate evidence-based mechanisms to track and report how applicable General Assembly resolutions will be fully implemented in line with the United Nations regulations and rules. Recommendation 10 remains open pending establishment of appropriate mechanisms to track and report the full implementation of relevant decisions of the General Assembly.

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.

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of financial management of the Habitat III Conference 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 assign accountability for the failure to comply with the arrangements stipulated in the Habitat III Trust Fund's terms of reference for certifying the expenditures relating to the Habitat III Conference and establish mechanisms to ensure that such violations do not recur.	Critical	O	Receipt of evidence that accountability has been assigned for failure to comply with the TOR of the Habitat III Trust Fund concerning the certifying of Habitat III expenditures and the mechanisms established to prevent recurrence of such violations.	31 July 2019
2	UN-Habitat should ensure that the Habitat III Secretariat provides to the General Comptroller of Ecuador all documentation in its possession relating to the selection of the Operator and disbursement of funds by the Operator on behalf of Habitat III.	Critical	O	Receipt of evidence of submission of all documentation relating to the Operator to the General Comptroller of Ecuador.	31 May 2019
3	UN-Habitat, in coordination with the Government of Ecuador, should review the expenditure of \$3,786,953 incurred on behalf of the Habitat III Secretariat through the Operator to assure accountability for the funds.	Critical	O	Receipt of evidence of completion of the review of expenditures incurred through the Operator.	31 December 2019
4	UN-Habitat should document the lessons learned from the Habitat III Conference to ensure in future that: (a) financial transactions for major conferences such as Habitat III are initiated and approved by staff with appropriate delegation of authority; and (b) agreements for major conferences are concluded in a timely manner before commitments are made.	Important	O	Receipt of the lessons learned report on the Habitat III Conference.	31 March 2019
5	UN-Habitat should document as a lesson learned from the Habitat III conference that for future conferences, an appropriate system is implemented	Important	O	Receipt of the lessons learned report on the Habitat III Conference.	31 March 2019

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

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

³ C = closed, O = open

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

STATUS OF AUDIT RECOMMENDATIONS

Audit of financial management of the Habitat III Conference at the United Nations Human Settlements Programme

	for tracking, accounting and reporting of in-kind contributions received from donors.				
6	UN-Habitat should review and reconcile all disbursements made to Agency A and ensure that adequate documentation is available to support the expenditure incurred by Agency A on behalf of the Habitat III Secretariat.	Important	O	Receipt of evidence showing the reconciliation of disbursements made to Agency A and the related documentation in support of the expenditures incurred.	31 December 2019
7	UN-Habitat should document as a lesson learned from the Habitat III conference that in future, budgets for all important events are supported by detailed cost plans to facilitate effective and efficient financial management of such events.	Important	O	Receipt of the lessons learned report on the Habitat III Conference.	31 March 2019
8	UN-Habitat should develop an appropriate record management system to manage and safeguard records of major conferences including Habitat III.	Important	O	Receipt of evidence on the establishment of a system for collecting, safeguarding and managing records of major conferences including Habitat III.	30 June 2020
9	UN-Habitat should expedite the financial and substantive reports to donors of the Habitat III Trust Fund to assure transparency for the funds received from donors and sustain their confidence and continued support.	Critical	O	Receipt of the financial and substantive reports submitted to donors of the Habitat III Trust Fund.	31 May 2019
10	UN-Habitat should document as a lesson learned from the Habitat III conference that in future, appropriate mechanisms are established to fully implement the decisions of the General Assembly, with the required supporting documentation as evidence of implementation.	Important	O	Receipt of evidence on the establishment of appropriate mechanisms to track and report the full implementation of relevant decisions of the General Assembly.	31 March 2019

APPENDIX I

Management Response

UN HABITAT

UNITED NATIONS HUMAN SETTLEMENTS PROGRAMME

Programme des Nations Unies pour les établissements humains
Programa de las Naciones Unidas para los Asentamientos Humanos

OFFICE OF THE EXECUTIVE DIRECTOR

14 February 2019

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

Subject: **UN-Habitat comments on Draft Report on audit of financial management of the Habitat III Conference (Assignment No. AA2018/250/03)**

Dear Mr. Kumar

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

UN-Habitat is pleased to accept all audit recommendations and will initiate a comprehensive lesson learned process to establish clear guidelines on how to enhance controls in major conferences held in future taking into consideration OIOS recommendations.

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

Yours sincerely,



Maimunah Mohd Sharif
Under-Secretary-General
and Executive Director

Management Response

Audit of financial management of the Habitat III Conference at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UN-Habitat should assign accountability for the failure to comply with the arrangements stipulated in the Habitat III Trust Fund's terms of reference for certifying the expenditures relating to the Habitat III Conference and establish mechanisms to ensure that such violations do not recur.	Critical	Yes	Executive Director	31 July 2019	UN-Habitat will ensure accountability and establish mechanisms to ensure that such violations do not recur through proper guidelines and a comprehensive lesson learned process.
2	UN-Habitat should ensure that the Habitat III Secretariat provides to the General Comptroller of Ecuador all documentation in its possession relating to the selection of the Operator and disbursement of funds by the Operator on behalf of Habitat III.	Critical	Yes	Director, External Relations Division	31 May 2019	UN-Habitat will liaise with the Secretariat of Habitat III, collect, compile all documentation in its possession relating to the selection of the Operator and disbursements and administration of funds by the Operator on behalf of Habitat III and submit to the General Comptroller of the State of Ecuador.
3	UN-Habitat, in coordination with the Government of Ecuador, should review the expenditure of \$3,786,953 incurred on behalf of the Habitat III Secretariat through the Operator to assure accountability for the funds.	Critical	Yes	Director, External Relations Division	31 December 2019	UN-Habitat has already started to act on the implementation of this recommendation and has written a note verbal to the Ministry of Urban Development and Housing of the Republic of Ecuador to coordinate a review of the disbursements and related expenditures incurred by the Operator to ensure accountability for the funds.
4	UN-Habitat should document the lessons learned from the Habitat III Conference to ensure in future that: (a) financial transactions for major	Important	Yes	Director, External Relations Division	31 March 2019	UN-Habitat will initiate a comprehensive lesson learned process with all relevant officers from the secretariats of Habitat III,

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

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

Management Response

Audit of financial management of the Habitat III Conference at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	conferences such as Habitat III are initiated and approved by staff with appropriate delegation of authority; and (b) agreements for major conferences are concluded in a timely manner before commitments are made.					UN-Habitat and UN with the aims to address recommendation.
5	UN-Habitat should document as a lesson learned from the Habitat III conference that for future conferences, an appropriate system is implemented for tracking, accounting and reporting of in-kind contributions received from donors.	Important	Yes	Director, External Relations Division	31 March 2019	UN-Habitat will initiate a comprehensive lesson learned process with all relevant officers from the secretariats of Habitat III, UN-Habitat and UN with the aims to address recommendation.
6	UN-Habitat should review and reconcile all disbursements made to Agency A and ensure that adequate documentation is available to support the expenditure incurred by Agency A on behalf of the Habitat III Secretariat.	Important	Yes	Officer in Charge, Management and Operations Division	31 December 2019	UN-Habitat will liaise with the Agency to review, reconcile and obtain adequate supporting documentation for the expenditure incurred by the Agency on behalf of the Habitat III Secretariat.
7	UN-Habitat should document as a lesson learned from the Habitat III conference that in future, budgets for all important events are supported by detailed cost plans to facilitate effective and efficient financial management of such events.	Important	Yes	Director, External Relations Division	31 March 2019	UN-Habitat will initiate a comprehensive lesson learned process with all relevant officers from the secretariats of Habitat III, UN-Habitat and UN with the aims to address recommendation.
8	UN-Habitat should develop an appropriate record management system to manage and safeguard records of major conferences including Habitat III.	Important	Yes	Officer in Charge, Management and Operations Division	30 June 2020	UN-Habitat will ensure to establish a system geared to collecting, safeguarding and managing records of major conferences including Habitat III.
9	UN-Habitat should expedite the financial and substantive reports to	Critical	Yes	Director, External	31 May 2019	UN-Habitat will expedite the finalization of both the financial and substantive reports to

Management Response

Audit of financial management of the Habitat III Conference at the United Nations Human Settlements Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
	donors of the Habitat III Trust Fund to assure transparency for the funds received from donors and sustain their confidence and continued support.			Relations Division		donors of the Habitat III Trust Fund.
10	UN-Habitat should document as a lesson learned from the Habitat III conference that in future, appropriate mechanisms are established to fully implement the decisions of the General Assembly, with the required supporting documentation as evidence of implementation.	Important	Yes	Director, External Relations Division	31 March 2019	UN-Habitat will establish appropriate evidence-based mechanisms to track and report how applicable General Assembly resolutions will be fully implemented in line with the United Nations rules and regulations.