



INTERNAL AUDIT DIVISION

REPORT 2015/104

Audit of the United Nations Human Settlements Programme Urban Basic Services sub-programme

Overall results relating to the effective implementation of the sub-programme were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

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Assignment No. AA2015/250/02

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AUDIT REPORT

Audit of the United Nations Human Settlements Programme Urban Basic Services sub-programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Human Settlements Programme (UN-Habitat) Urban Basic Services sub-programme.

2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.

3. The Urban Basic Services sub-programme was one of the seven new UN-Habitat thematic organizational units that were created following the internal reorganization and establishment of the new UN-Habitat organizational and programmatic structure in 2012.

4. The overall objective of the sub-programme was to increase equitable access to urban basic services and improve the standard of living of the urban poor. The sub-programme aimed to: (a) improve policies and guidelines on equitable access to sustainable urban basic services implemented by local, regional and national authorities; (b) increase flow of investments into urban basic services in partner countries with a focus on the urban poor; and (c) increase use of sustainable urban basic services in partner cities. The sub-programme was implemented by the Urban Basic Services Branch (the Branch) and the out posted regional offices. The sub-programme comprised four programmatic clusters, namely: (a) water and sanitation; (b) urban waste management; (c) urban mobility; and (d) urban energy.

5. The Branch was headed by a Branch Coordinator at the P-5 level, who coordinated the activities of the sub-programme. The Branch Coordinator was assisted by four professional and one national staff. The staffing structure was complemented by a work force of staff located at each of the four UN-Habitat regional offices. The sub-programme's activities and operations were funded from the foundation general purpose fund, the regular budget, the foundation special purpose fund and technical cooperation funds. The allocated resources for 2014 were \$39.8 million while expenditures incurred during the year were \$34.2 million.

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

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UN-Habitat governance, risk management and control processes in providing reasonable assurance regarding the **effective implementation of the UN-Habitat Urban Basic Services sub-programme**.

8. The audit was included in the 2015 internal audit work plan for UN-Habitat due to the risk that potential weaknesses in the arrangements for coordination and management of the sub-programme could adversely affect the realization of UN-Habitat's global mandate.

9. The key controls tested for the audit were: (a) programme and project management; (b) coordinated management mechanisms; and (c) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Programme and project management** - controls that provide reasonable assurance that the sub-programme has adequate capacity and tools to ensure that it is managed effectively and efficiently.

(b) **Coordinated management mechanisms** - controls that provide reasonable assurance that potential overlaps in functions are mitigated, and that coordination among various entities is achieved for effective programme delivery.

(c) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the substantive and administrative operations of the sub-programme; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

10. The key controls were assessed for the control objectives shown in Table 1. Certain control objectives (shown in Table 1 as “Not assessed”) were not relevant to the scope defined for this audit.

11. OIOS conducted the audit from March to May 2015. The audit covered the period from 1 January 2013 to 31 December 2014. The audit was conducted at UN-Habitat Headquarters in Nairobi, Kenya and field visits were conducted to project sites in Kenya, Tanzania and Nepal.

12. The audit team conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through tests of controls, analytical reviews and interviews of project counterparts, office and project staff and beneficiaries, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests and reviews of documentation to determine their effectiveness.

III. AUDIT RESULTS

13. The UN-Habitat governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective implementation of the UN-Habitat Urban Basic Services sub-programme**. OIOS made six recommendations to address issues identified in the audit.

14. UN-Habitat had defined performance outputs and accomplishments and established appropriate performance indicators to monitor programme performance. Performance reports were prepared in a timely manner and there was evidence of senior management’s involvement in the review of sub-programme performance. However, UN-Habitat needed to improve the process for verifying the completeness and accuracy of performance data reported to stakeholders. Guidelines were necessary to help operationalize the matrix organizational structure by clearly defining the roles and responsibilities of the various units implementing the sub-programme. An action plan was required to address the low delivery of outputs. With regard to fundraising, there was need to develop a coordinated approach to maximize impact. It was also necessary for UN-Habitat to establish a mechanism to ensure that the

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist 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.

performance of consultants and individual contractors hired through other United Nations agencies is evaluated prior to making payments or extending their contracts.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective implementation of the UN-Habitat Urban Basic Services sub-programme	(a) Programme and project management	Partially satisfactory	Partially satisfactory	Not Assessed	Partially satisfactory
	(b) Coordinated management mechanisms	Partially satisfactory	Partially satisfactory	Not Assessed	Partially satisfactory
	(c) Regulatory framework	Partially satisfactory	Partially satisfactory	Not Assessed	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Programme and project management

There was a need for UN-Habitat to develop mechanisms for managing the shared roles between the Branch and regional offices

16. Pursuant to the Governing Council’s resolution 23/11 of April 2011, UN-Habitat developed a new strategic framework and initiated an internal reorganization that resulted in a new matrix institutional structure. The new structure was aimed at achieving a sharper focus on strategic priorities and improving efficiency and productivity by: simplifying accounting and reporting; and enhancing accountability and transparency within the organization. Under this arrangement, the organization was to accomplish and deliver its strategic goals and priorities through seven different thematic branches, jointly with regional offices. The Urban Basic Services sub-programme was one of the seven priority areas.

17. While UN-Habitat had developed the broad institutional framework through which its strategic goals and priorities were to be achieved, it had not developed guidelines to support the operational arrangements under the new matrix structure, which hampered the optimal and efficient functioning of the sub-programme. Specifically, OIOS noted that:

- a) While the Branch and the regional offices had a shared responsibility in executing the sub-programme’s mandate, there were no operational guidelines to delineate or indicate how the joint roles and responsibilities were to be shared between the two units. In practice, project implementation was done by both regional offices and the Branch. At the time of the audit, the regional offices were implementing about 42 projects. Besides performing its normative role, the Branch was directly implementing about 44 projects, some of which were in countries where UN-Habitat had regional office presence. The Branch and regional offices managed and administered their projects independently, sometimes with little or no coordination resulting in overlaps and

duplication of effort and resources. The organizational structure and arrangements also created parallel centres of power and authority, as each unit strived to exert and maintain its control and authority on projects it was responsible for implementing. This resulted in a silo approach that prevented the sub-programme from operating cohesively as a single organization.

b) The sub-programme's structure, which did not consider the command and control authority at various grade levels, also impaired the effectiveness with which programme activities were administered. For instance, the Branch Coordinator had oversight and managerial responsibilities, and was also responsible for coordinating all the activities of the thematic branch, which included those of the regional offices. In practice however, the Coordinator lacked supervisory authority over the Regional Directors. This was because the Branch Coordinator was at P-5 level while the Regional Directors were at D-1 level with one Regional Director at D-2 level. Within the Basic Urban Services Branch, one Unit Manager held a higher rank (P-6) than the Branch Coordinator (P-5) to whom he reported. However, as of 6 July 2015, the P-6 retired and was to be replaced by a lower ranking post. The structure and related arrangements in place diluted responsibility and accountability for achievement of overall results of the sub-programme.

c) The Executive Director's office directly administered the Global Water Operators' Partnerships Alliance (GWOPA) which was a significant component of the sub-programme. This was contrary to the spirit of the Governing Council's resolution that assigned the Branch the substantive responsibility of implementing the sub-programme. This arrangement also denied the sub-programme the opportunity to realize synergies and efficiencies from consolidating its operations. OIOS was informed that effective 1 May 2015, GWOPA would be administered under the Branch.

18. UN-Habitat stated that it had made deliberate effort to achieve better linkages to enhance effective oversight and better goal congruence in strategies and delivery, and improve coordination between the branches and regional offices. Some of the initiatives taken included:

a) Regular bilateral meetings held with the Regional Directors and Branch Coordinators individually, as well as the monthly coordination meetings of Regional Directors and Branch Coordinators held with the participation of the Office of Management. These critical meetings, which started in September 2014, provided a forum for information and knowledge sharing and discussion of issues pertaining to various aspects of sub-programme work, including project planning and management, staffing, new project formulation, implementation and monitoring. These meetings had been instrumental in supporting collaboration and coordination.

b) The joint programming, implementation and monitoring meetings and retreats of senior management that started in September 2013 strengthened and improved relationships and partnerships between the regional offices and branches.

19. UN-Habitat acknowledged that there was a need to ensure that these processes are formalized and documented, and indicated that it was in the process of developing the said formalized guidelines to streamline the sub-programme's operational arrangements by clarifying and delineating roles and responsibilities, lines of reporting and extent of accountabilities to minimize the overlaps and duplication of functions and enhance more effective integration and linkages between the branches and the out-posted offices. OIOS is of the view that these guidelines are necessary to strengthen accountability and enhance the effectiveness of the sub-programme.

<p>(1) UN-Habitat should develop guidelines to help operationalize the matrix organizational structure by clarifying roles and responsibilities, and outlining mechanisms for sharing</p>
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joint roles with respect to administration, reporting and work plan implementation.

UN-Habitat accepted recommendation 1 and stated that it has coordination and oversight mechanisms to operationalize the matrix organizational structure. At the time of this audit, UN-Habitat was in the process of developing formal guidelines to strengthen further the integration and inter-linkages between Headquarters branches and regional offices. UN-Habitat will now finalize the formal guidelines by clarifying roles and responsibilities, and outlining mechanisms for sharing joint roles with respect to administration, reporting and work plan implementation. Recommendation 1 remains open pending receipt of the guidelines issued.

Appropriate performance measures were established and used to monitor sub-programme performance

20. In accordance with the UN-Habitat Programme and Project Cycle Management Manual (June 2003), the sub-programme established the objectives, planned outputs and accomplishments, and indicators which provided a basis for directing and monitoring performance. The performance indicators were specific, measurable and were established at the individual project level and subsequently consolidated at the sub-programme level. The sub-programme work plan and programme, and budget for the biennium 2014-2015 outlined three main objectives to be achieved through 322 specific outputs. Progress was measured through a set of five performance indicators. In 2012-2013, the sub-programme planned to achieve two main accomplishments, complete 246 outputs, and meet five Urban Basic Services-related indicators for measuring performance.

21. UN-Habitat monitored the implementation of projects and the six year strategic plan for 2014-2019. OIOS reviewed the minutes of programme performance review meetings and concluded that appropriate performance measures and monitoring mechanisms were in place.

Periodic performance reports were prepared, but evidence was required to validate the accuracy and completeness of reported outputs and accomplishments

22. In line with the Programme and Project Cycle Management Manual (June 2003), UN-Habitat prepared periodic progress performance reports to highlight progress made towards achievement of planned accomplishments. Some of the periodic reports prepared included the quarterly reports to the Committee of Permanent Representatives, the semi-annual Integrated Monitoring and Document Information System reports, as well as the annual sub-programme performance reports prepared by the Branch to highlight the aggregated performance of the Branch and the regional offices. The performance reports were prepared on the basis of performance data and results provided by the out-posted offices.

23. However, the Branch did not have in place a robust evidence-based reporting system to ensure that the results being reported were supported by tangible and verifiable evidence or information. Mechanisms set up by the Branch to verify the completeness and accuracy of performance information provided by the out-posted offices were inadequate as noted in the following cases:

a) Due to budgetary constraints, the Branch did not undertake frequent field visits to validate and corroborate performance data/information, especially for projects administered separately by the regional offices. Branch staff indicated that they had no complete knowledge of all urban basic services type of projects that were being implemented independently by the regional offices. The absence of a complete listing of all sub-programme projects made it difficult for the Branch Coordinator to monitor the projects.

b) Resource constraints impaired the sub-programme's ability to carry out appropriate data collection in order to assess the extent to which planned accomplishments were achieved. The

sub-programme reported results based on national averages which were not specific and reflective of the actual conditions in cities where the projects were implemented.

c) The Branch used performance data from the Project Accrual and Accountability System. Since the system was not regularly updated, there was a risk of incomplete, inaccurate and unreliable performance reporting.

24. UN-Habitat explained that it developed an evidence gathering system in 2013 to support the documentation of evidence on its reported programme performance and was updating it with 2014 data. This would be done throughout the six-year period covered in the strategic framework 2014-2019. At the time of audit, however, there was no indication that evidence had been gathered to support the outputs and accomplishments reported under the Urban Basic Services sub-programme.

25. UN-Habitat also indicated that it had put in place a policy that required its Evaluation Unit to evaluate and report on all projects/programmes above \$3 million.

26. The absence of adequate mechanisms to collect, verify and validate performance data could potentially compromise the completeness and accuracy of performance reports prepared and reported to stakeholders. Incomplete and inaccurate information could also impair the decision making process.

(2) UN-Habitat should enhance its mechanisms to verify the accuracy and completeness of reported outputs and accomplishments.

UN-Habitat accepted recommendation 2 and stated that it will review and strengthen its sample-based verification process at Headquarters. Recommendation 2 remains open pending receipt of evidence of the enhanced mechanisms established to verify the accuracy and completeness of reported outputs and accomplishments.

Low delivery of the Urban Basic Services work programme for 2014-2015

27. The Governing Council approved the work plan and programme, and budget for the biennium 2014-2015 which outlined three main objectives to be achieved through 322 specific outputs that the Branch and the out-posted regional offices were to realize.

28. As at June 2015, the sub-programme had only achieved 47 per cent of the outputs. This was after 18 months of operations, and with only six months to the end of the planned period. Work was in progress for 13 per cent of the activities while the remaining 40 per cent had not been implemented. By not delivering the planned outputs, there was a risk that donors could lose confidence in UN-Habitat's ability to implement programmes, with potential loss of funding.

(3) UN-Habitat should urgently develop and implement an action plan on how to deliver the pending Urban Basic Services sub-programme outputs in order to achieve programme objectives.

UN-Habitat accepted recommendation 3 and stated that the Urban Basic Services Branch developed and implemented an action plan on how to deliver the outstanding outputs. The plan resulted in an increased delivery of outputs (the status of "implemented" outputs has improved from 48 per cent in June to 65 per cent in September; outputs "in progress" have decreased from 13 per cent in June to 11 per cent in September and outputs in the "not started" category have also decreased from 39 per cent in June to 25 per cent in September). Based on the action taken and evidence provided by UN-Habitat, recommendation 3 has been closed.

There was a need for the sub-programme to harmonize and coordinate resource mobilization efforts

29. The UN-Habitat Resource Mobilization Policy and Action Plan guided its fundraising and resource mobilization activities. The policy and action plan provided for a centralized fundraising and resource mobilization approach, through which senior managers of substantive and regional offices were encouraged to engage directly with donors that had interest in working with UN-Habitat.

30. There was no clarity on how the fundraising and resource mobilization roles were to be shared between the Branch and the regional offices, which separately and individually approached and engaged potential donors, sometimes even the same donors. This resulted in overlap, duplication and inefficiencies which prevented the sub-programme from achieving synergies from its fundraising initiatives. The lack of a unified approach to donors could adversely impact the overall fundraising effort for UN-Habitat as a whole.

(4) UN-Habitat should develop a coordinated resource mobilization and fundraising approach to maximize the impact of its fundraising initiatives.

UN-Habitat accepted recommendation 4 and stated that it has a multi-layered resource mobilization strategy and is looking to further enhance it in the coming months. UN-Habitat is now reviewing its coordination of fundraising between regional and Headquarters Branch offices and will enhance it accordingly. Recommendation 4 remains open pending receipt of documentation showing the measures taken to ensure a coordinated approach to fundraising.

B. Coordinated management mechanisms

Need to strengthen coordination between the Branch and the regional offices when formulating and approving new projects

31. The UN-Habitat Project Based Management Policy (which was issued in 2012) advocates a collaborative and interactive process between the Branches and out-posted offices in the formulation of new projects. It requires that where a project originates from a country or region, the originator should inform and involve Headquarters (the Branch) and vice versa. One mechanism for enhancing coordination in this process is through the involvement of the Headquarters and Regional Project Advisory Groups (HPAGs and RPAGs), which were formed to vet and review the project formulation and approval processes at Headquarters and regional offices. HPAGs reviewed and approved new projects initiated at Headquarters, whereas RPAGs had delegated authority to review and approve projects originating from their respective regions.

32. Although the processes set up for formulating and approving new projects were well designed and intentioned, they did not work effectively and as intended. There were instances where the regional offices only sought Headquarters involvement after they had negotiated and substantially agreed the project scope and terms of implementation and sometimes even the funding agreements.

33. Late involvement of Headquarters in the project review process limited the usefulness of the input provided by Branches. Also, most of the RPAGs comprised of the same staff members that were responsible for sourcing and implementing the new projects, which limited their ability to objectively critique and review the project proposals.

34. The absence of effective collaboration between Headquarters and regional offices could compromise the quality review processes and lead to undertaking projects that do not meet the criteria and standards established by UN-Habitat.

(5) UN-Habitat should strengthen the Project Advisory Group mechanisms to enhance coordination between the branches and regional offices during the project initiation and formulation stages.

UN-Habitat accepted recommendation 5 and stated that a new mechanism strengthening the coordination between the branches and regional offices during the project initiation and formulation stages was put in place by the Programme Division. The new mechanism requires: (i) submission of a Concept Note to the Programme Division (with a copy to Project Advisory Group Coordinator) at the earliest stage of project inception; and (ii) central review of all regional projects over \$1 million. Based on the action taken and evidence provided by UN-Habitat, recommendation 5 has been closed.

C. Regulatory framework

Consultants and individual contractors hired through another agency were not evaluated as required

35. Administrative instruction ST/AI/2013/04 on consultants and individual contractors guides the process for hiring and contracting of consultants and individual contractors. The guidelines require, amongst others, that performance evaluations be conducted before making any payments or extensions of the consultants' contracts.

36. A review of nine consultancy and individual contractors' contracts, valued at \$200,000 and representing 95 per cent of the value of contracts processed by the UN-Habitat Nepal Office through another United Nations agency, showed that the Nepal Office did not conduct performance evaluations prior to making payments or extending their contracts. Performance evaluations help in ensuring that the Organization receives best value from its contracts and assists in informing future contract award decisions. By not evaluating consultants and individual contractors, there is a risk of rehiring consultants who did not perform up to standards.

(6) UN-Habitat should establish a mechanism to ensure that the performance of consultants and individual contractors is evaluated prior to making payments or extending their contracts.

UN-Habitat accepted recommendation 6 and stated that the UN-Habitat Nepal Office started to perform systematic performance evaluations prior to making payments or extending contracts. Based on the action taken and evidence provided by UN-Habitat, recommendation 6 has been closed.

IV. ACKNOWLEDGEMENT

37. 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) David Kanja
Assistant Secretary-General, Acting Head
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Human Settlements Programme Urban Basic Services sub-programme

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	UN-Habitat should develop guidelines to help operationalize the matrix organizational structure by clarifying roles and responsibilities, and outlining mechanisms for sharing joint roles with respect to administration, reporting and work plan implementation.	Important	O	Receipt of guidelines issued to help in operationalizing the matrix organizational structure by clarifying roles and responsibilities, and outlining mechanisms for sharing joint roles with respect to administration, reporting and work plan implementation.	31 March 2016
2	UN-Habitat should enhance its mechanisms to verify the accuracy and completeness of reported outputs and accomplishments.	Important	O	Receipt of evidence of the enhanced mechanisms established to verify the accuracy and completeness of reported outputs and accomplishments.	31 December 2015
3	UN-Habitat should urgently develop and implement an action plan on how to deliver the pending Urban Basic Services sub-programme outputs in order to achieve programme objectives.	Important	C	Action completed.	Implemented
4	UN-Habitat should develop a coordinated resource mobilization and fundraising approach to maximize the impact of its fundraising initiatives.	Important	O	Receipt of documentation showing the measures taken to ensure a coordinated approach to fundraising.	31 December 2015
5	UN-Habitat should strengthen the Project Advisory Group mechanisms to enhance coordination between the branches and regional offices during the project initiation and formulation stages.	Important	C	Action completed.	Implemented
6	UN-Habitat should establish a mechanism to ensure that the performance of consultants and individual contractors is evaluated prior to making payments or extending their contracts.	Important	C	Action completed.	Implemented

² 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.

³ 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.

⁴ C = closed, O = open

⁵ Date provided by UN-Habitat in response to recommendations.

APPENDIX I

Management Response

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

OFFICE OF THE EXECUTIVE DIRECTOR

15 September 2015

Dear Mr. Kumar,

I am pleased to present below UN-Habitat comments on the audit observations and recommendations included in the draft report on the Audit of the United Nations Human Settlements Programme Urban Basic Services sub-programme (Assignment No.AA2015/250/02).

I would like to take this opportunity to thank the Office of Internal Oversight services (OIOS) for the services it provided to UN-Habitat in completing the above-mentioned audit.

Yours sincerely,



Dr. Joan Clos

UN Under-Secretary-General and
Executive Director, UN-Habitat

Mr. Gurpur Kumar
Deputy Director
Internal Audit Division, OIOS

Management Response

Audit of the United Nations Human Settlements Programme Urban Basic Services sub-programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UN-Habitat should develop guidelines to help operationalize the matrix organizational structure by clarifying roles and responsibilities, and outlining mechanisms for sharing joint roles with respect to administration, reporting and work plan implementation.	Important	Yes	Director Programme Division	March 2016	UN-Habitat accepts the recommendation. As stated in paragraph 19 of the audit report, UN-Habitat has coordination and oversight mechanisms to operationalize the matrix organizational structure. At the time of this audit, UN-Habitat was in the process of developing formal guidelines to strengthen further the integration and interlinkages between HQ branches and regional offices. UN-Habitat will now finalize the formal guidelines by clarifying roles and responsibilities, and outlining mechanisms for sharing joint roles with respect to administration, reporting and work plan implementation.
2	UN-Habitat should enhance its mechanisms to verify the accuracy and completeness of reported outputs and accomplishments.	Important	Yes	Head, Quality Assurance Unit, Office of Management	December 2015	UN-Habitat accepts the recommendation. UN-Habitat will review and strengthen its sample-based verification process which exists at the Headquarters.
3	UN-Habitat should urgently develop and implement an action plan on how to deliver the pending Urban Basic Services sub-programme outputs in order to achieve programme objectives.	Important	Yes	Coordinator, Urban Basic Services Branch	Implemented	UN-Habitat accepted and implemented the recommendation. Urban Basic Services developed and implemented an action plan on how to deliver the outstanding Urban Basic Services sub-programme outputs. The plan resulted with an increased delivery of outputs (the status of "implemented" outputs has improved from 48% in June to 65% in September; outputs "in progress" have decreased from 13% in June to 11% in September and outputs in the "not started" category have also

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						decreased from 39% in June to 25% in September).
4	UN-Habitat should develop a coordinated resource mobilization and fund raising approach to maximize on its fundraising initiatives.	Important	Yes	Senior Coordination Officer Donor Relations and Resource Mobilization Service	December 2015	UN-Habitat accepts the recommendation. UN-Habitat has a multi layered Resource Mobilization Strategy and is looking to further enhance it in the coming months. UN-Habitat is now reviewing its coordination of fund raising between regional and HQ Branch offices and will enhance it accordingly.
5	UN-Habitat should strengthen the Project Advisory Group mechanisms to enhance coordination between the branches and regional offices during the project initiation and formulation stages.	Important	Yes	Director Programme Division	Implemented	UN-Habitat accepted and implemented the recommendation. A new mechanism strengthening the coordination between the branches and regional offices during the project initiation and formulation stages was put in place by the Programme Division. The new mechanism requires (i) submission of a Concept Note to the Program Division (with a copy to PAG Coordinator) at the earliest stage of project inception and (ii) central review of all regional projects over USD 1 million.
6	UN-Habitat should establish a mechanism to ensure that the performance of consultants and individual contractors is evaluated prior to making payments or extending their contracts.	Important	Yes	Head of UN-Habitat Nepal Office	Implemented	UN-Habitat accepts the recommendation. UN-Habitat Nepal Office started to perform systematic performance evaluations prior to making payments or extending contracts.