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**AUDIT AND MANAGEMENT CONSULTING DIVISION  
OFFICE OF INTERNAL OVERSIGHT SERVICES**

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To: Ms. Anna Tibaijuka, Executive Director  
United Nations Centre for Human SettlementsFrom: Esther Stern, Director  
Audit and Management Consulting Division  
Office of Internal Oversight Services

A handwritten signature in black ink, appearing to be 'Esther Stern', is written over the printed name and title of the sender.

Subject: **OIOS Audit No. AA2000/13/2:UNCHS Regional Office for Africa and Arab States (ROAAS)**

1. I am pleased to present our report on the subject audit, which was conducted in February 2000 in Nairobi. The report incorporates Habitat's written comments on the draft version, which were received on 23 August 2000. The report also includes a separate section identifying further actions required to close those recommendations that remain open following our review of your comments.

2. I would like to take this opportunity to thank you and the staff of ROAAS for the assistance and cooperation extended to the auditors.

## Copy to:

Mr. Daniel Biau, Ag. Deputy Executive Director, Habitat  
Mr. Alioune Badiane, Director, ROAAS  
UN Board of Auditors  
Planning and Compliance Officer, OIOS  
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**United Nations  
OFFICE OF INTERNAL OVERSIGHT SERVICES  
AUDIT AND MANAGEMENT CONSULTING  
DIVISION**



- **Audit subject: United Nations Centre for Human Settlements (Habitat) Regional Office for Africa and Arab States**
- **Audit No. and Location: AA2000/13/2, Nairobi, Kenya**
- **Report date: 19 October 2000**
- **Auditors: Christopher F. Bagot, Byung-Kun Min**

**OIOS Audit No. AA/2000/13/2: United Nations Centre for Human Settlements (Habitat)  
Regional Office for Africa and Arab States (ROAAS)**

**Executive Summary**

The Habitat Regional Office for Africa and Arab States (ROAAS) which is the newest of Habitat's three regional offices, opened in January 1999 and serves approximately 35 African countries and Arab States, including Angola, Ethiopia, Iraq, United Arab Emirates, Libya, Liberia, Kenya and Rwanda.

ROAAS oversees 41 operational technical cooperation projects with a total 1999 budget of approximately \$14 million. This excludes \$26 million for its Iraq project funded through the UN "Oil for Food" programme. The other main source of funding is the United Nations Development Programme (UNDP), which funds approximately 50 percent of the projects.

In February 2000, OIOS conducted an audit of ROAAS, which focussed on activities carried out in 1999. In summary, the audit established the following:

- (a) ROAAS was not established on the same basis as the other two regional offices and there is need for Habitat to develop a project document, or its equivalent setting out ROAAS' mandate, staffing and delegated authority;
- (b) Appropriate internal controls have been put in place for financial management. However, there is need to improve the procedures for ensuring that accurate and timely expenditure information is provided to UNDP; and
- (c) Internal controls for asset management should be strengthened. In particular, there is a need to update Habitat's inventory list, which includes ROAAS' inventory. In addition, the arrangements for managing non-expendable equipment for the technical cooperation project should be clearly established.

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## I. INTRODUCTION

1. The audit discussed in this report was carried out by OIOS in February 2000, in accordance with the general and specific standards for the professional practice of internal auditing in United Nations organizations.
2. ROAAS is the newest of Habitat's three regional offices, and falls under the Regional and Technical Cooperation Division (RTCD). It opened in January 1999, and serves approximately 35 African countries and Arab States, including Angola, Ethiopia, Iraq, United Arab Emirates, Libya, Liberia, Kenya and Rwanda.
3. The 1999 third quarterly report to Habitat senior management stated that the office had 41 operational technical cooperation projects with an annual budget of approximately \$14 million for 1999, excluding the Iraq settlement rehabilitation project funded through the UN "Oil for Food" programme. In relative terms, these 41 programmes represent 35 per cent (41 of 118) of all operational projects and 54 per cent (\$14 million of \$26 million) of the overall RTCD budget for 1999. The United Nations Development Programme (UNDP) provides approximately 50 percent of the funding for the ROAAS technical cooperation projects.

## II. AUDIT OBJECTIVE AND SCOPE

4. The objective of the audit was to determine whether ROAAS complied with United Nations rules, policies and procedures in its day-to-day operations.
5. The audit focused on 1999 activities, the first year of operations, and covered the following areas: establishment of the office; general personnel management; use of consultants and individual contractors; general financial management; assessed/voluntary contributions; procurement; and property management.
6. As ROAAS did not have a bank or petty cash account, cash management was not included in the audit scope. In addition, OIOS did not review any activities related to the Iraq settlement rehabilitation project, as this will be the subject of a separate audit at a later date.
7. The audit included interviews with ROAAS staff, reviews of available documentation, and such tests and other procedures as the auditors considered necessary in the circumstances.

## III. AUDIT FINDINGS AND RECOMMENDATIONS

### A. Establishment of ROAAS

8. OIOS compared the establishment of ROAAS with that of the other two regional offices located in Fukuoka, Japan and Rio de Janeiro, Brazil and noted two differences:
  - There was no project document, or its equivalent, describing ROAAS in terms of its mandate, staffing structure, operational procedures, project portfolio and funding structure.

- The United Nations Office at Nairobi (UNON) provides all administrative support to ROAAS, which has no delegated authority to assist in carrying out its technical co-operation project duties. ROAAS management made a formal request to UNON in May and July 1999 for delegated authority in line with that given to the other two regional offices. However, at the time of the audit, there was no written reply from UNON explaining whether any delegated authority would be granted. As a consequence, when undertaking complex procurement activities, such as buying steel for Iraq, Habitat sometimes has had to loan staff to UNON to assist in these tasks.

### Recommendation 1

Habitat should develop a project document or an equivalent setting out the mandate, staffing structure, operational procedures and funding structure of ROAAS. The document should also address what delegated authority ROAAS requires to carry out its mandate (AA/2000/13/2/001).

#### 9. Habitat advised that:

*"A document will be prepared along the same lines as was prepared for the Fukuoka and Rio Regional Offices This document will advise on the required delegated authority in line with the administrative procedures applicable to Habitat's Regional Offices as specified in Mr. Barabanov's memorandum on this issue dated 16 July 1997. Scheduled date of completion: December 2000."*

### B. Contributions

#### Contributions for the operation of ROAAS

10. OIOS determined that no contributions had been received in 1999 for ROAAS operations. Habitat management assigned normative (i.e. headquarters activities such as conferences, etc.) as well as operational responsibilities to ROAAS. However, normative tasks are not usually funded from technical cooperation overhead funds, which is the only funding available to ROAAS.

#### Funding for technical cooperation projects

11. OIOS reviewed the arrangements for identification and follow-up of funding for technical co-operation projects. We noted that the Human Settlement Advisors (HSA) in ROAAS are pursuing new funding possibilities within the countries for which they are responsible. Although progress is discussed informally at team meetings, there is no formal strategy document in place focussing on these activities. OIOS believes that such a strategy document would be beneficial to ROAAS, given the importance of funding to the continued viability of the Office.

## Recommendation 2

ROAAS should formulate a strategy for seeking new funding and include an outline of this strategy in the annual work plan. The strategy should be linked to the budget and consider both initiation and follow-up of fundraising activities (AA/2000/13/2/002).

12. Habitat advised that:

*"ROAAS funding strategy is mainly based at country level through the development of technical cooperation activities. The Centre, as recommended by OIOS in its report dated 23 February 2000, is currently reviewing the possibility to diversify the funding structure for its Regional Offices in order to ensure their long-term sustainability. As part of this review, the Centre is considering the possible outpostting of headquarters personnel to the regional offices and/or the provision of additional regular budget resources. Priority has been given to the Regional Offices in Fukuoka and Rio up to now but ROAAS will, subject to availability of staff and resources, be given additional support from core funding. A comprehensive strategy will be included in the future annual workplans for ROAAS. Scheduled date of completion: March 2001."*

### C. Planning and Monitoring

13. OIOS reviewed ROAAS' arrangements for planning and monitoring work other than technical cooperation projects. At the end of each quarter, an activity report is produced for Habitat senior management. We compared the format of the quarterly report against the year 2000 work plan and found that there was no clear link between the structure of the work plan and the report. As a result, it was difficult to determine what progress was made on activities other than project-implementation. ROAAS explained that it is in the process of developing a new system for reporting its activities.

## Recommendation 3

ROAAS should ensure that its proposed reporting system incorporates a linkage between the work plan and the activity reports (AA/2000/13/2/003).

14. Habitat advised that:

*"A new format for reporting on the activities of the Regional Offices is under discussion with Rio and Fukuoka. A draft format will be prepared by mid-September for approval by all Regional Offices and Senior Management. This new format will be used immediately after approval to report the activities for the first semester of 2000. Scheduled date of completion: September 2000."*

## D. Financial and Budget Management

### Certifying functions

15. OIOS identified no problems regarding certifying functions, except that the designated or alternate certifying officer did not certify five of the transactions reviewed because the designated official was absent. According to Finance Rule 110.4, the authority granted to a certifying officer is a personal one, and cannot be delegated.

### **Recommendation 4**

ROAAS should ensure that the certifying and alternate officer are not away at the same time, or seek authorisation for an alternate certifying officer in another unit of Habitat (AA/2000/13/2/004).

16. Habitat advised that this recommendation has been implemented.

### Financial activity reports

17. OIOS found that ROAAS had implemented adequate procedures for reviewing the accuracy of its financial data against obligations, which included resolving discrepancies with data held in Financial Resources and Management Services (FRMS) accounts. However, we noted that ROAAS does not clear the Project Delivery Report (PDR) before FRMS sends it to UNDP. As a result, ROAAS noted and we confirmed, that the PDR sent contains inaccurate information. For example, the PDR for project TOG-97-005 as at 30 September 1999 did not contain the total figure for some budget lines such as local procurement.

### **Recommendation 5**

ROAAS should work with FRMS to establish procedures for ensuring the completeness and accuracy of Project Delivery Reports provided to UNDP (AA/2000/13/2/005).

18. Habitat advised that:

*"ROAAS in discussion with FRMS is setting up a system, which will allow the office to clear the PDR's before these are sent to UNDP. This system should also be implemented for the outposted Regional Offices in Rio and Fukuoka.  
Scheduled date of completion: September 2000."*

### Budget structure

19. OIOS found that ROAAS, in line with common practice, modelled its budget structure on the current UNDP structure rather than on the one in Habitat's Technical Cooperation Manual (TCM), which has not been updated since 1993. As a consequence, ROAAS' budget structure is not in line



with the TCM. For example, it does not contain separate budget lines for expendable and non-expendable equipment.

#### **Recommendation 6**

Habitat should either issue policy guidance confirming the current practice of using the UNDP budget structure, or review and update the TCM to reflect current practices for technical cooperation projects (AA/2000/13/2/006).

20. Habitat advised that:

*"The Programme Support Division will issue a memorandum to that effect applicable to all Technical Cooperation activities. Scheduled date of completion: September 2000."*

#### **Assistant PMO salary charges**

21. OIOS noted that the salary costs of an assistant Project Management Officer (PMO) were charged to a range of technical cooperation projects in 1999, including IRQ-7-S02, ST-ANG-6-101, ST-URT-7-022 and ST-SOM-6-003. The projects charged may differ from one year to the next. ROAAS explained that the cost was only charged to the projects where the PMO had made a contribution. However, we were not provided with any documentation setting out the criteria used to charge the cost among the projects. The remainder of the staff members were charged to the Habitat overhead account, as this is where the 10 per cent administrative charge levied on clients for their services is accounted for. Only expenditures specifically provided for in the project budget are normally chargeable to the project.

#### **Recommendation 7**

Habitat should charge the cost of the assistant PMO to the overhead account, unless the cost is specifically provided for in the project budget (AA/2000/13/2/007).

22. Habitat advised that the recommendation had been implemented.

### **E. Procurement of Goods and Services**

#### **ROAAS**

23. OIOS identified no problems in the procurement area except that ROAAS charged office supplies to technical cooperation projects such as IP-ZAI-97-016, XB-RWA-95-B22 and XB-LIB-96-X01, because it did not have a budget allocation from the overhead account for this purpose.

### Recommendation 8

Habitat should ensure that, unless agreed to in the project document, all office supplies should be charged to the Habitat overhead account (AA/2000/13/2/008).

24. Habitat advised that:

*"Adequate budgets for the purchase of office supplies will, if possible, be included in new project documents. Scheduled date of completion: Continuous."*

#### Technical cooperation projects

25. OIOS found that ROAAS maintained information showing which projects undertook procurement, but the information did not identify what they procured. ROAAS provided us with a list of 12 projects that had undertaken procurement actions in 1999. Using information obtained from FRMS and the Contract and Procurement Section (CPS) we reviewed three procurement actions and nine subcontracts from this list, and found no problems. However, we believe that it is important for ROAAS to maintain sufficiently detailed information to monitor procurement activity within projects.

### Recommendation 9

ROAAS, in consultation with CPS, should develop and maintain a database to monitor project procurement activities (AA/2000/13/2/009)

26. Habitat advised that:

*"ROAAS is working on the development of a database to monitor project procurement activities. This has not yet been finalized, as its format should follow other reporting requirements. Scheduled date of completion: October 2000."*

## F. Asset Management

#### ROAAS

27. OIOS found that there was no up-to-date inventory at ROAAS, or at Habitat. According to CPS, which is responsible for the inventory, there has been no update since the end of 1997 due to the Habitat reorganization.

### Recommendation 10

Habitat should request CPS to update the Habitat inventory, and ensure that the inventory shows which sections own particular items and the location of these items (A/2000/13/2/010).

28. Habitat advised that:

*"CPS is updating on a regular basis the inventory of ROAAS as well as the rest of the Centre (last inventory exercise was dated June 2000). A regular update of this physical inventory would indeed be advisable."*

Technical cooperation projects

29. OIOS determined that ROAAS had 213 open projects, the majority of which were operationally closed but "financially open". ROAAS explained that it had sent FRMS a final budget revision for the closure of some of the projects, including QAT/83/004, TEM/88/009 and UAE/93/F01. The status of the remainder was unclear, however, as ROAAS had not had time to review these projects.

**Recommendation 11**

ROAAS should carry out a review of operationally closed projects to determine which can be closed financially (A/2000/13/2/011).

30. Habitat advised that:

*"ROAAS is reviewing the operationally closed projects to determine which can be closed financially. A great number of PDR's and (semi-) final budget revisions have been sent to our partners in order to finalize this exercise. The closure of projects is however not always the responsibility of ROAAS. In projects where the Office is acting as Co-operating or Associated Agency, the Centre is limited to sending the financial figures as recorded by FRMS and depend on the Executing Agency for the final closure of the project. The 213 mentioned projects are not the correct figure. A great number of projects mentioned in this list have been closed (all documents were sent to FRMS) but have not yet been deleted from the system by UNON. ROAAS will contact FRMS to "clean" the database. Expected date of completion: Continuous process."*

31. At the time of the audit, 41 of the 213 projects were operationally and financially open. ROAAS was unclear about which of these project equipment budget lines was its responsibility. ROAAS stated that since CPS did all purchasing, CPS was responsible for asset management. We confirmed with the Chief of CPS that ROAAS was responsible, which is in line with the practice of the other two regional offices.

**Recommendations 12 to 15**

ROAAS should:

- (a) Maintain a list of projects for which an inventory is required (AA/2000/13/2/012);

- (b) Maintain records of all non-expendable items purchased for these projects during the year (AA/2000/13/2/013);
- (c) Use the list of purchases to assess the completeness and accuracy of the inventory lists (AA/2000/13/2/014); and
- (d) Remind project managers to confirm details of changes to project inventories, and ensure that the changes are submitted to the PMO for transmission to UNON's CPS twice a year, in accordance with existing rules and regulations (AA/2000/13/2/015).

32. Habitat advised that:

*"As per recommendation 9, ROAAS will be developing a database for this purpose. Project managers in the field are being reminded on a regular basis on the necessity to confirm changes to project inventories. A system will be put in place in order to get the required information twice a year as requested. Expected date of completion: October 2000."*

#### G. Personnel Matters

##### Reimbursements by staff

33. We found no problems with the arrangements for reimbursements by staff for services such as telephone and fax.

##### Travel

34. OIOS established through a review of attendance records that there were approximately 50 travel missions in 1999. We tested a sample of ten items and found no problems. However, we noted that the Officer in Charge (OIC) of Habitat approves the quarterly travel plan and the Executive Director (ED) approves every mission undertaken in accordance with the approved plan. The reason for this duplication was unclear. This arrangement also differs from the practice in the other two regional offices where the ED only approves travel by the Director of the Office.

#### Recommendation 16

Habitat should consider whether it would be sufficient for the OIC or the ED to review and approve the quarterly travel plan, in line with the practice in the other two regional offices (AA/2000/13/2/016).

35. Habitat advised that:

*"A proposal will be prepared to the attention of the new ED in order to avoid the existing duplication. Scheduled date of completion: December 2000."*

Overtime for support staff

36. ROAAS did not budget for overtime payments. Further, no policy had been developed concerning the payment of overtime or granting Compensatory Time Off (CTO)

**Recommendation 17**

ROAAS, subject to the availability of an overtime budget, should develop a policy on paying overtime and the use of CTO (AA/2000/13/2/017).

37. Habitat advised that:

*"ROAAS has no budget for payment of overtime but is using in exceptional cases the limited resources available in the OHU account. The suggestion to develop a policy concerning CTO will be explored in coordination with PSD and HRMS. Scheduled date of completion: end of 2000."*

**H. Use of Consultants and Individual Contractors**

38. OIOS found no problems regarding the use of consultants and individual contractors.

**IV. FURTHER ACTION REQUIRED ON AUDIT RECOMMENDATIONS**

39. Habitat's responses to the audit recommendations contained in this report have been recorded in OIOS' recommendations database for monitoring and reporting purposes. Please note that these recommendations remain outstanding in OIOS' records pending the receipt of evidence of their implementation, as described in the following table.

<b>Recommendation number</b>	<b>Required evidence of implementation</b>
AA/2000/13/2/001	Receipt of project document
AA/2000/13/2/002	Receipt of strategy.
AA/2000/13/2/003	Receipt of new format
AA/2000/13/2/005	Receipt of details of the new system
AA/2000/13/2/006	Receipt of the memorandum
AA/2000/13/2/009,12-15	Confirmation that database is operational
AA/2000/13/2/016	Notification of outcome of discussion with new ED
AA/2000/13/2/017	Notification of outcome of discussion on CTO

12, 13, 14, 15

**V. ACKNOWLEDGMENT**

40. We wish to express our appreciation for the assistance and cooperation extended to the auditors by the management and staff of ROAAS.



Esther Stern, Director  
Audit and Management Consulting Division, OIOS