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## Briefing on Audit Findings

UN-Habitat

Audit for the financial year 2021

23 November 2022





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# Summary





1. To obtain sufficient and appropriate audit evidence in order to express an opinion on the fairness of the financial statements in accordance with IPSAS and applicable financial regulations and rules of the United Nations;
2. To obtain sufficient and appropriate evidence as a basis for the conclusion on the effectiveness and efficiency of operations;
3. To make recommendations to strengthen management on focus areas.



## Unqualified audit opinion

Key areas	Number of observations	Number of recommendations
Financial and budget management	5	7
Human resources management	6	7
Project management	4	5
Implement partner management	4	5
Strategy management	3	3
Information and communication technology	2	2
PPE	1	1
<b>Total</b>	<b>25</b>	<b>30</b>



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# Highlights



- Financial and budget management
  - **Insolvency risk for Foundation non-earmarked fund:** the Board analysed the financial performance of the Foundation from 2017 to 2021 and noted the Foundation experienced a deficit of revenue over expenditure during the past five years.

**Financial performance of Foundation non-earmarked fund, 2017 to 2021**  
*(Millions of United States dollars)*

Items	2017	2018	2019	2020	2021
Revenue	5.4	3.7	5.2	4.9	2.6
Expense	9.2	4.5	5.5	6.4	3.2
Surplus	(3.8)	(0.8)	(0.3)	(1.5)	(0.6)
Net assets	2.3	1.3	0.1	(0.5)	(1.1)

Source: Based on the data of financial statements



- Human resources management
  - **The need for austerity measures and shortage of stable, professional and experienced staff:** of the 58 approved posts funded by the Foundation, 49 were vacant, and only one of the 10 senior management posts (D and above) were occupied.
  - **Inadequate control over non-staff personnel:** comprise approximately 85 per cent of the UN-Habitat workforce, project-motivated and decentralized. Daily management of non-staff personnel hired through UNDP and UNOPS was carried out by the field offices and their supervisors.



- **Lack of policy for management of non-staff personnel hired through UNDP and UNOPS**
  - As of 31 December 2021, the contracts of 95 non-staff personnel hired through UNDP and 168 non-staff personnel hired through UNOPS had exceeded the maximum of 24 months in a 36-month period. Non-staff personnel hired through UNOPS were entitled to extra insurance and paid leave. There was no clear policy or monitoring mechanism in place for non-staff personnel hired through UNDP and UNOPS
  - ACABQ highlighted the use of personnel recruited through UNDP, UNOPS and third-party service providers.





- Project management
  - **Insufficient use of integrated planning, management and reporting solution (IPMR) and fragmented project data adversely affect project monitoring and management:** As at 26 April 2022, of the 226 approved projects recorded in IPMR, 147 projects only had a project title and estimated start and end dates, but no budget data or attachments. The project data for the remaining 79 projects had only limited supporting documentation.



- Implementing partner management
  - **Donor intervention in IP selection imposes extra risks in terms of fairness, integrity and transparency:** 16 out of 40 sampled agreements of cooperation were signed with IPs without comparative selection or awarded to the IP with the second highest score owing to “donor requirement”.
  - **Lack of guidance on prospective IP selection and threshold in the IP capacity assessment tool for accepting recommended IPs:** there was no specific requirements as to how to select suitable prospective implementing partners or clear requirement in the SOP setting the threshold score for the signatory and IP Screening Committee to accept the panel’s recommendations.



- Follow-up to previous recommendations
  - As at 31 December 2021, of the 88 outstanding recommendations issued up to the year ended 31 December 2020, 35 recommendations (40 per cent) were implemented, 48 (55 per cent) were under implementation, 1 was not implemented (1 per cent) and 4 were overtaken by events (4 per cent).



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Thank you!  
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