



UNITED
NATIONS

HSP

HSP/GC/23/5/Add.1

UN HABITAT

**Governing Council
of the United Nations Human
Settlements Programme**

Distr. General
15 March 2011

Original: English

Twenty-third session

Nairobi, 11–15 April 2011

Item 7 of the provisional agenda*

**Work programme of the United Nations Human Settlements Programme
and budget of the United Nations Habitat and Human Settlements Foundation
for the biennium 2012–2013**

**Proposed work programme and budget for the biennium
2012–2013**

Addendum

**Report of the Advisory Committee on Administrative and
Budgetary Questions**

Note by the secretariat

The report of the Advisory Committee on Administrative and Budgetary Questions on its review of the proposed work programme of the United Nations Human Settlements Programme and budget of the United Nations Habitat and Human Settlements Foundation for the biennium 2012–2013 (HSP/GC/23/5) is provided in the annex to the present note. The report has been reproduced as received from United Nations Headquarters.

* HSP/GC/23/1.

Annex**United Nations Human Settlements Programme
Proposed work programme and budget for the biennium 2012-2013****Report of the Advisory Committee on Administrative and Budgetary Questions**

1. The Advisory Committee on Administrative and Budgetary Questions has considered the work programme and proposed budget of the United Nations Habitat and Human Settlements Foundation for the biennium 2012-2013 (HSP/GC/23/5). The Committee also had before it the report of the Board of Auditors (A/65/5/Add.8(SUPP)). During its consideration of the work programme and proposed budget, the Advisory Committee met with the Executive Director and other representatives of the United Nations Human Settlements Programme (UN-Habitat), who provided additional information and clarification.
2. The Executive Director indicates that the proposed programme of work and budget for the biennium 2012-2013 is based on the biennial strategic framework for 2012–2013, as amended and endorsed by the Committee of Programme and Coordination during its 50th session. The proposed programme of work and budget provides for four subprogrammes and is organised along six cross-cutting areas set out in the six-year medium-term strategic and institutional plan (MTSIP) for 2008-2013, namely: effective advocacy, monitoring and partnerships; participatory urban planning, management and governance; pro-poor land and housing; environmentally sound basic infrastructure and affordable services; strengthened human settlements finance systems; and excellence in management. The current proposals relate to the final phase of the existing MTSIP, which is being implemented in a rolling manner through three successive strategic framework/work programme and budget periods, namely 2008-2009, 2010-2011 and 2012-2013.
3. As indicated in paragraph 2 of the budget document, by its resolution 21/2 of April 2007, the Governing Council endorsed the medium-term strategic and institutional plan (MTSIP) in April 2007 and requested UN-Habitat to refine it by developing SMART indicators, targets and prioritization of activities for reflection in its strategic framework and work programme and budget. The Executive Director indicates that the results framework was completed in April 2009, comprising the goal, strategic results, expected accomplishments, indicators of achievement and sub-expected accomplishments for each focus area. The Committee notes that while UN-Habitat plans to implement the full programme of work, in the eventuality that the organization should be unable to raise the necessary resources, the prioritization established in the work plan will facilitate decision-making on the allocation of available resources (see HSP/GC/23/5, para. 11). The Committee further notes that the budget document has been reviewed by the Committee of Permanent Representatives to the United Nations Human Settlements Programme (UN-Habitat).
4. The Advisory Committee notes that UN-Habitat receives its funding from three main sources: (a) voluntary contributions to the United Nations Habitat and Human Settlements Foundation, comprising non-earmarked, general purpose funds and special purpose funds which are earmarked for specific activities; (b) voluntary contributions for technical cooperation which are earmarked for specific projects at the country-level; and (c) a regular budget contribution approved by the General Assembly. Table 1(a) shows that total projected resources for 2012-2013, as approved by the Governing Council, amount to \$393.2 million, comprising Foundation General Purpose resources of \$70.2 million, Foundation Special Purpose resources of \$110.5 million, Technical Cooperation resources of \$190.0 million and United Nations regular budget resources

of \$22.4 million. The overall resources proposed for 2012-2013 reflect a 10 per cent increase as compared to the projected income of \$357.0 million for 2010-2011, resulting from the combined estimated increase of 6 per cent for Foundation General Purpose resources, 15 per cent for Foundation Special Purpose resources and 10 per cent for Technical Cooperation resources. As indicated in paragraph 41 of the budget document, the estimates for regular budget resources are maintained at the level of the current biennium, pending review of the proposals to be submitted to the General Assembly in the context of the proposed programme budget for 2012-2013. At that time a cost adjustment factor, currently estimated at some 4 per cent, will be applied to the overall amount of \$22.4 million.

5. From table 6 of the budget document, which shows the estimated distribution of posts by source of funds, the Committee notes that the overall number of posts would decrease by 22, from 303 posts in the current biennium to 281 in 2012-2013. The reductions relate to resources proposed under the budgets of the Foundation Special Purpose fund (8 posts: 1 D-1, 1 P-5, 1 P-4, 3 P-3, 2 Local Level) and the Technical Cooperation fund (14 posts: 8 P-2/1, 6 Local Level). The remaining 281 posts proposed for 2012-2013 are distributed among the following categories: 59 posts under Executive Direction and Management; 46 posts under programme support; and 176 posts under the four subprogrammes (see HSP/GC/23/5, tables 9a, 10, 11, 12, 13, 14a). Upon enquiry, the Committee was informed that actual vacancy rates as at 31 December 2010 stood at 6.7 per cent for professional and 6.5 per cent for General Service staff, as compared to the budgeted rates of 6.5 per cent and 3.5 per cent, respectively.

6. As indicated in the footnote to table 6, posts funded from earmarked funds (including trust funds) have been excluded from the 2012-2013 staffing tables, since they are of a temporary nature, and are subject to frequent changes based on programme/project activity requirements. Upon enquiry, the Committee was informed that, as at 31 December 2010 there were a total of 154 such temporary posts (1 P-7, 5 P-6, 13 P-5, 19 P-4, 31 P-3, 26 P-2, 26 National Officers, 33 Local Level), funded from earmarked and technical cooperation funds, and which do not appear in the budget document. **While the Committee recognizes that these figures provide only a snapshot of the staffing situation at any given time, it considers that the provision of such information would improve transparency as to the overall staffing complement of UN-Habitat. The Committee therefore recommends that the number and level of these temporary project posts be provided in future budget submissions.**

7. Table 4 of the budget document shows the consolidated resource plans as estimated for 2010-2011 and proposed for 2012-2013, with the distribution of resources among executive direction and management, programme support and programme activities. The Advisory Committee notes that the overall resources of \$393.2 million proposed for 2012-2013 comprise \$347.2 million under programme activities (88.3 per cent), \$14.9 million under programme support (3.2 per cent), and \$31.0 million under executive direction and management (7.9 per cent).

8. Regarding programme support costs, in paragraph 14 of its previous report (HSP/GC/22/5/Add.1), the Advisory Committee had recalled an earlier recommendation that UN Habitat report on progress with regard to its participation in a United Nations inter-agency working group established by the High-Level Committee on Management of the Chief Executives board (CEB) for reviewing the measures and adequacy of programme support and cost recovery policies. **The Committee notes that no information is provided on this issue in the current budget document. It considers that it is important to follow-up on the outcome of the working group, and recommends that the Executive Director keep the Governing Council informed of any progress made in this regard. An update should also be provided in the context of the next budget submission.**

9. The Advisory Committee notes that the results frameworks presented in the budget document link expected accomplishments, sub-expected accomplishments and outputs that contribute to the realisation of the objectives and goals. As indicated in paragraph 81 of the budget document, expected accomplishments are defined as the higher level results to which a significant contribution will be made over a longer period of time, usually of at least 5 years, whereas sub-expected accomplishments are intermediate level results, which are produced through the delivery of outputs, and which UN-Habitat and its partners can reasonably expect to realize in a biennium. In the Committee's view, this approach constitutes a useful representation of the implementation of the results framework. The definition of short-term, sub-expected accomplishments, linked to the delivery of outputs, products and services that UN-Habitat has control over, facilitates the measurement of progress made towards contribution and/or achievement of expected accomplishments. The Committee notes the improvements made and encourages UN-Habitat to continue to refine the presentation of the budget document, including by making it more reader-friendly.

10. Upon enquiry, the Advisory Committee was provided with a table summarising the follow-up action being taken by UN-Habitat in response to the recent recommendations of the Board of Auditors and planned implementation timelines, as well as the implementation status of outstanding recommendations issued during prior bienniums (see annex I below). The Committee is of the view that such information greatly facilitates consideration of UN-Habitat's budget proposals. It requests that updates on the implementation status of the recommendations of the Board of Auditors, as well as the recommendations of other oversight bodies, be provided systematically as an annex to future budget submissions. In this connection, the Advisory Committee notes from paragraph 131(c) of the budget document that the Programme Support Division intends to follow-up on the risk assessment carried out by the Office of Internal Oversight Services and to develop a risk management framework. The Committee encourages UN-Habitat to ensure that the framework to be developed take into account all the findings of the risk assessment exercise.

11. The Advisory Committee requested additional information and clarification as to the status of the various reviews mentioned in the budget document, namely the governance review, the MTSIP Peer Review and the organizational review. It was provided with the following information:

a) Governance review

UN-Habitat indicated that the Governance review is currently underway. The review was initiated in response to resolution 21/2 of the Governing Council of 20 April 2007, in which the Executive Director was requested to "review the efficiency and effectiveness of the governance structure of UN-Habitat". Following submission of the Executive Director's report responding to that request, by its resolution 22/5, the Governing Council requested joint action by the Committee of Permanent Representatives and the Executive Director to "identify and implement ways to improve the transparency, accountability, efficiency and effectiveness of the functioning of the existing governance structure", and to present options for consideration by the Governing Council at its 23rd session.

In response to the Governing Council's request, a joint implementation team was set up by the Committee of Permanent Representatives and UN-Habitat Secretariat. The joint team established its terms of reference and the methodology for the study on the governance structure, which was to focus on two key elements, namely: (a) to address existing procedures which could be changed as a result of decisions taken by the Executive Director and/or Committee of Permanent Representatives; and (b) to identify the structural aspects of

governance that fall principally under the purview of the General Assembly. The study of existing procedures culminated in a series of recommendations that were approved by Committee of Permanent Representatives at its 38th and 39th sessions in September and December 2010, which are currently under implementation. The study on the structural aspects of governance was carried out by a consultant, who reviewed alternative governance structures in the context of United Nations reform, and presented a range of options for consideration. These options are currently being reviewed by the Implementation Team, with a view to reaching consensus. The Governing Council is expected to consider the above-mentioned options during its upcoming 23rd session.

b) Medium-term strategic and institutional plan peer review

UN-Habitat indicated that the MTSIP Peer Review was conducted in 2010, focussing on the implementation of the six-year medium term strategic and institutional plan. By its resolution 20/19 of 8 April 2005, the Governing Council had requested the Executive Director to "...develop a six-year medium term strategic and institutional plan including clear implications for the organisational structure, financial and human resources of the United Nations Human Settlements Programme, including at the global, regional and country levels taking into account wider United Nations reform processes...". The MTSIP Peer Review Panel recommended that the Executive Director should consider a new organizational structure in order to improve alignment of structures with the MTSIP focus area, and strengthen the Organization's potential for achieving results.

c) Organizational review

The organizational review is being undertaken in response to the recommendation of the MTSIP Peer Review Panel, as well as other assessments. The Committee was informed that these included the on-going biannual MTSIP progress reports and consultations with the Committee of Permanent Representatives and donors, as well as in-depth assessments of the Office of Internal Oversight Services. The Advisory Committee had also recommended that UN-Habitat undertake an analysis of its overall organizational structure to identify possibilities for redeployment of existing senior-level posts to high priority areas to ensure that the overall organizational structure of UN-Habitat is suitable for implementing its mandated activities (see HSP/GC/22/5/Add.1), para 21. The Committee was provided with a list of the areas of improvement, both in managerial and substantive functions, which have been identified by the Executive Director for addressing the challenges hampering the effective delivery of UN-Habitat's mandate, (see annex II below).

UN-Habitat indicated that the organizational review process has commenced and was expected to be completed by 9 February 2011. The recommendations arising from the review are to be implemented during the biennium 2012-2013, in consultation with the Committee of Permanent Representatives. The budget proposals for 2012-2013 include a special allocation of \$3.9 million under Executive Direction and Management, to cover any budgetary implications arising from the review of the organizational structure.

12. The Advisory Committee looks forward to receiving further information on these reviews and the recommendations for improving the alignment of the organizational structure of UN-Habitat with its medium term strategic and institutional plan. In this context, the Committee emphasizes the importance of the monitoring and evaluation function in assessing the relevance, efficiency and effectiveness of programme implementation, as well as the extent to which UN-Habitat is achieving the planned results (see HSP/GC/23/5, para. 75). The

Committee notes that the Monitoring and Evaluation Unit will provide training to develop staff capacities necessary to carry out self-evaluations, facilitate external evaluations and ensure that evaluation findings improve programme performance, accountability, planning and organizational learning.

13. The Advisory Committee recommends approval of the work programme and budget for the biennium 2012-2013 proposed by the Executive Director.

ANNEX I Follow-up action on recommendations of the Board of Auditors

Document reference:
(incl. paragraph number)

GA/63/5/Add.8 (2006-2007 biennium)

All recommendations issued prior to the biennium 2006-2007 have been fully implemented.

The total recommendations issued during the biennium 2006-2007 were 17. 13 had been implemented by the end of the biennium 2008-2009 and 4 were still outstanding. The table below provides an update on the implementation of the 4 outstanding recommendations.

Brief description of the recommendation	Action taken to implement the recommendation
The Board recommended that UN-Habitat conduct an inventory of expendable items as at the end of the biennium and account for as well as disclose them pursuant to paragraph 49 (iv) of the United Nations System Accounting Standards [para.18]	Recommendation not accepted The inventory of expendable items is considered immaterial and thus a disclosure in the financial statements is not warranted. This is a practice of all United Nations Secretariat organization and is considered in line with paragraph 49 (iv) of the United Nations system accounting standards.
The Board recommended that UN-Habitat set up specific funding for end-of-service and after-service health insurance liabilities. [para.45]	Implementation status: in progress <i>Target Date: Subject to decisions by the General Assembly</i> It is UN-Habitat's intention to take appropriate action on funding of its after service health insurance liabilities, consistent with the decisions to be made by the General Assembly in respect of funding these liabilities for the United Nations, once these have been made.
The Board recommended that UN-Habitat cooperate with UNON to establish an annual training plan for its own staff. [para.73]	Implementation status: in progress <i>Target date: March 2011</i> UN-Habitat in cooperation with UNON, have assessed the UN-Habitat training needs and are currently in the process of formulating a comprehensive training plan.
The Board recommended that UN-Habitat look at options of reducing manual processing made in the course of preparing the financial statements to a minimum. [para.87]	Implementation status: implemented All efforts have been made by the United Nations Office in Nairobi (UNON) to reduce the manual processing. Further automation is not considered cost-effective while a new ERP system is soon to replace IMIS. The new ERP system is expected to automatically generate financial reports.

Document reference:
(incl. paragraph number)

GA/65/5/Add.8 (2008-2009 biennium)

The total recommendations issued during the biennium 2008-2009 were 18. Of these, 1 has been fully implemented while the full implementation of 9 of them is envisaged by the end of the first quarter of 2010. The balance of 8 are scheduled for implementation during the course of this year except for 4 dependent on UN system wide initiatives. The table provides an update on the status of implementation of the recommendations.

Brief description of the recommendation	Action taken to implement the recommendation
In paragraph 32, UN-Habitat agreed with the Board's recommendation that it take advantage of the installation of the new enterprise resource planning system to set up indicators to permanently monitor its liquidity levels.	Implementation status: in progress <i>Target date:</i> Subject to the implementation of the enterprise resource planning system
In paragraph 39, the Board recommended that UN-Habitat (a) continue to prepare the implementation of IPSAS in collaboration with the United Nations Office at Nairobi; and (b) specify its needs for the migration of the Crystal software to the future enterprise resources planning system of the Secretariat (Umoja).	Implementation status: in progress <i>Target date:</i> Subject to the implementation of IPSAS and the enterprise resource planning project
In paragraph 48, UN-Habitat agreed with the Board's recommendation that it (a) revise the title of its financial statements and the notes thereto to reflect that their scope was limited to the activities funded under voluntary contributions; and (b) consider preparing financial statements, in collaboration with United Nations Headquarters, that include the activities funded by the regular budget of the United Nations.	Implementation status: in progress Target Date: March 2011
In paragraph 51, UN-Habitat agreed with the Board's recommendation that it ensure that funds received under inter-organizational arrangements were directly derived from the general ledger.	Implementation status: in progress Target Date: March 2011
In paragraph 56, UN-Habitat agreed with the Board's recommendation that it ensure, in liaison with the United Nations Office at Nairobi, (a) that the review of access rights includes the detection of users who have left the organization or changed function; and (b) that no employee can have more than one identifier for logging into the IMIS data management system.	Implementation status: in progress Target Date: March 2011

In paragraph 64, the Board recommended that UN-Habitat, together with the United Nations Administration at Headquarters, revise its accounting treatment of education grants.	Implementation status: in progress Target Date: Fourth quarter of 2011
In paragraph 67, UN-Habitat agreed with the Board's recommendation that it disclose in a note the policy regarding provisions for delays in the collection of outstanding contributions.	Implementation status: in progress Target Date: March 2011
In paragraph 75, the Board reiterated its previous recommendation that UN-Habitat develop a funding plan for end-of-service liabilities for consideration and approval by its Governing Council.	Implementation status: in progress <i>Target date:</i> Dependent upon decisions of the General Assembly
In paragraph 91, the Board recommended that UN-Habitat consider revising its policy on the valuation of leave liability in its implementation of IPSAS.	Implementation status: in progress Target Date: Fourth quarter of 2011
In paragraph 96, UN-Habitat agreed to ensure that all indicators of achievement are supported by documentary evidence.	Implementation status: in progress <i>Target date:</i> First quarter of 2011
In paragraph 99, UN-Habitat agreed with the Board's recommendation that it comply with rule 104.8 (a) of the Financial Regulations and Rules of the United Nations regarding petty cash transactions.	Implementation status: implemented
In paragraph 102, UN-Habitat agreed with the Board's recommendation that it systematically obtain from the banks an updated list of persons with joint signatory authority for cheques.	Implementation status: in progress Target Date: Fourth quarter of 2011
In paragraph 108, UN-Habitat agreed with the Board's recommendation that it, in liaison with the United Nations Office at Nairobi, periodically review the procurement parameters in IMIS to ensure that they reflect the thresholds set in the delegations of authority for procurement and contract management.	Implementation status: in progress Target Date: March 2011
In paragraph 113, UN-Habitat agreed with the Board's recommendation that it, in liaison with the United Nations Office at Nairobi, (a) formally register the vendors in the database before awarding a contract; (b) individually mark vendors in the database as active; and (c) review the vendor database to mark unused vendors as inactive.	Implementation status: in progress Target Date: March 2011

In paragraph 116, the Board recommended that UN-Habitat, in liaison with the United Nations Office at Nairobi, (a) add a required field in the IMIS system so that the relevant contract number can be entered for goods and services orders associated with a particular contract; and (b) keep the contract management database up to date.	Implementation status: in progress Target Date: March 2011
In paragraph 123, UN-Habitat agreed with the Board's recommendation that it extend the inventory management system to the liaison and outposted offices.	Implementation status: in progress Target Date: March 2011
In paragraph 133, the Board recommended that UN-Habitat, in liaison with the United Nations Office at Nairobi, (a) programme the Access tool for preparing the financial statements in order to eliminate any residual manual operations; and (b) refine the description of the checks and controls.	Implementation status: in progress Target Date: Fourth quarter of 2011
In paragraph 137, UN-Habitat agreed with the Board's recommendation that it, in coordination with the United Nations Office at Nairobi, (a) take advantage of the upcoming implementation of the new enterprise resource planning system to eliminate journal voucher entries; and (b) strengthen internal control over journal voucher entries and the access rights to make them.	Implementation status: in progress <i>Target date:</i> subject to the implementation of the enterprise resource planning system

Annex II Areas identified for improvement

- More effective management systems based on evidence and performance, to improve productivity and reducing administrative overheads;
 - Strengthened and well coordinated internal strategic planning and implementation function;
 - Increased capacity to harvest relevant and strategic knowledge, innovation and lessons learned, both internally and externally, in support of sustained urban development;
 - Improvements in external communication;
 - Improved strategies to address financial constraints, unpredictable funding and the lack of a functioning agency-wide resource mobilization system;
 - Greater efficiency and rapid reaction in the delivery of field projects, especially in emergency situations
 - Consolidation of small and overlapping organizational units;
 - Filling of knowledge gaps in local economic development, municipal and urban finance, and urban planning legislation.
-