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**Work programme of the United Nations Human
Settlements Programme and budget of the United Nations
Habitat and Human Settlements Foundation for the
biennium 2014–2015**

Proposed work programme and budget for the biennium 2014-2015

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 the budget of the United Nations Habitat and Human Settlements Foundation for the biennium 2014–2015 (HSP/GC/24/5) is reproduced in the annex to the present note. The report has been reproduced as received from United Nations Headquarters.

* HSP/GC/24/1.

Annex

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 the budget of the United Nations Habitat and Human Settlements Foundation for the biennium 2014–2015

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 2014-2015 (HSP/GC/24/5). 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, concluding with written responses received on 8 March 2013.

2. The Executive Director indicates that the proposed programme of work and budget for the biennium 2014-2015 is based on the biennial strategic framework for 2014–2015, as amended by the Committee for Programme and Coordination during its fifty second session in June 2012. The proposed programme of work and budget is organised according to seven substantive thematic subprogrammes that align with the new organizational structure. As indicated in paragraph 11 of the Executive Director's report, the seven subprogramme structure takes into account the key recommendations of the six-year medium-term strategic and institutional plan (MTSIP) peer review undertaken in 2010, which recommended a new organizational structure to better achieve planned results; establishment of a unified planning, monitoring and reporting function; transparent definition of programme priorities; and establishment of an independent evaluation function. The work programme is outlined in more detail in paragraphs 18 to 33 of the Executive Director's report.

3. 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 appropriations approved by the General Assembly. Table 1(a) of the Executive Director's report shows that total projected resources for 2014-2015, as approved by the Governing Council, amount to \$392.4 million (\$69.9 post and \$322.5 non-post), comprising Foundation General Purpose resources of \$45.6 million (\$30.9 million post and 14.7 million non-post), Foundation Special Purpose resources of \$123.2 million (\$6.2 million post and \$117 million non-post), Technical Cooperation resources of \$202.5 million (\$14 million post and \$188.5 million non-post) and United Nations regular budget resources of \$21.1 million (\$18.8 million post and \$2.3 million non-post).

4. The overall resources proposed for 2014-2015 reflect a nominal increase of 0.1 per cent as compared to the \$391.9 million estimate for 2012-2013, resulting from the combined estimated decrease of 35 per cent for Foundation General Purpose resources and increases of 11 per cent for Foundation Special Purpose resources and 7 per cent for Technical Cooperation resources. As indicated in paragraph 51 of the Executive Director's report, the decrease of 35 per cent in the estimate for Foundation General Purpose resources reflects a conservative approach taken in light of the global financial situation and the lower level of actual contributions received vis-à-vis the approved budget in the last three biennia. **The Advisory Committee is of the view that a conservative approach is necessary in projecting future income and encourages UN-Habitat to continue its prudent approach to the management of its resources.**

5. The Advisory Committee notes that the 2014-2015 regular budget resources represent a nominal increase of \$72,100 over the level of the current biennium. During its consideration of the Executive Director's report, the Advisory Committee was informed that the regular budget resources presented were preliminary and indicative only. **Accordingly, the Advisory Committee will scrutinize the regular budget resources to be proposed for UN-Habitat and make its observations and recommendations on those proposals in the context of its consideration of the proposed programme budget for the biennium 2014-2015. Furthermore, the Advisory Committee emphasizes that budget proposals should be fully justified and substantiated with relevant data and statistics.**

6. In paragraph 46 of his report, the Executive Director indicates that a total of \$70 million is required to fund 281 core posts. He further indicates that UN-Habitat depends on over 2,000 project staff funded from earmarked funds to support the delivery of projects at country level. The distribution of the core posts by source of funds is presented in table 5 of his report. The Advisory Committee notes that the core staffing level would remain the same as in the current biennium 2012-2013 at 281 posts. In order to ensure that all seven subprogrammes in the new organizational structure are headed at the D-1 level, the Executive Director proposes the upward reclassification of one P-5 level position to the D-1 level (para. 64). The Executive Director also indicates that a recruitment freeze was imposed in 2011 in view of the prevailing economic climate, with exceptions being made only for critical positions, subject to the availability of funds. **The Advisory Committee has no objection to the proposed reclassification.**

7. In its earlier report (HSP/GC/23/5/Add.1, para. 6), the Advisory Committee recommended that the number and level of temporary project posts be provided in Habitat's budget submissions. The Committee notes that the information has not been included in the current report. Upon enquiry, the Committee was informed that, as at 31 December 2012, there were 145 temporary posts whose funding was earmarked for specific projects and whose duration was linked to the duration of the projects. The number and level of the temporary posts are indicated in the table below.

Category	Post grade	No. of posts
Professional	D-1	4
	P-5	17
	P-4	21
	P-3	31
	P-2	18
Professional Total		91
General Service	L-L	35
General Service Total		35
National professional	NO	19
National Officer Total		19
Grand Total		145

8. The 2014-2015 budget projections assume vacancy rates of 23 per cent for professional staff and 17 per cent for General Service staff (see HSP/GC/24/5, annex II). Upon enquiry, the Advisory Committee was provided with information showing an increasing trend in overall vacancy rates from 14 per cent as at 31 December 2010 to 26 per cent as at 31 December 2012. The information also indicated that the average duration of the vacancies in 2012 was 5.9 months. During its consideration of the Executive Director's report, the Advisory Committee was informed that the projected vacancy rates were not indicative of any difficulty in recruitment and retention of suitable staff, but rather, were consistent with the conservative approach to budgeting. In that regard, the Committee was also informed that the staffing level was ultimately dependent on the availability of funds. **Nonetheless, the Advisory Committee is of the opinion that the continuing requirement for long-vacant posts should be reviewed on an ongoing basis to determine their retention or abolition.**

9. The Executive Director indicates that the resource requirements for the biennium 2014-2015 take into account the austerity and efficiency measures put in place to respond to the global financial situation. Upon enquiry, the Advisory Committee was informed that the organization was implementing a wide range of cost-containment, efficiency and productivity measures including:

- (a) An analysis of bottlenecks in business processes to identify areas for greater efficiencies;
- (b) A revised policy and procedural framework to simplify procedures, clarify accountability, and enhance delegation of authority to reduce central bottlenecks;
- (c) Enhanced financial management, using accrual accounting principles to highlight areas where efficiency and cost containment measures can be effected with minimal impact on work programme delivery;

(d) Management tools including a Project Accrual and Accountability System, to support more efficient planning, monitoring and reporting of project and work programme delivery; and;

(e) A matrix organizational structure that enhances horizontal collaboration and a project based approach that allows flexible allocation of staff to facilitate and enhance productivity.

10. **The Advisory Committee takes note of the austerity and efficiency measures and looks forward to receiving information on the impact of these measures in the next budget report.**

11. The Advisory Committee was informed, upon enquiry, that there had been a declining trend in non-post expenditure from core funds from 2010 to 2012 as a result of the efficiency measures put in place. With regard to official travel, the Committee was informed that expenditure had been reduced from \$1.8 million in 2010 to \$670,000 in 2012 mainly through the increased utilization of virtual meetings, early booking of flights and better coordination with the travel section. **The Advisory Committee commends the efforts made to reduce travel expenditure. The Committee notes, however, that the presentation of the resource requirements provides no breakdown of non-post requirements by item of expenditure, which limits the Committee's scope for analysis of the budget. The Advisory Committee recommends that non-post resource requirements be broken down by item of expenditure in future budget presentations.**

12. During its consideration of the Executive Director's report, the Advisory Committee requested for additional information on the assumptions such as inflation and exchange rates that had been used in the formulation of the 2014-2015 budget. The information was not availed to the Advisory Committee.

13. 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 biennia (see annex). The Committee is of the view that such information greatly facilitates consideration of UN-Habitat's budget proposals. **Therefore, the Advisory Committee reiterates its request 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 (HSP/GC/23/5/Add.1, para. 10).**

14. **Taking into account its observations and recommendations in the preceding paragraphs, the Advisory Committee recommends approval of the work programme and budget for the biennium 2014-2015 proposed by the Executive Director.**

Annex

Follow-up action on recommendations of the Board of Auditors

Document reference: A/67/5/Add.8 (paras 732 to 781)

Brief description of the recommendation	Action taken to implement the recommendation
<p>In paragraph 24, UN-Habitat agreed with the Board's recommendation to review the costs and benefits of introducing procedures to mitigate exchange rate risks and losses. In coordination with UNON, and subject to guidance from UNHQ, this could include commercially available solutions.</p>	<p>A/67/319/Add.1 "Implementation of the recommendations of the Board of Auditors contained in its reports on the United Nations funds and programmes for the financial period ended 31 December 2011"</p> <p>UN-Habitat made comments on a draft policy developed by UN Headquarters and addressing exchange risks and losses. UN-Habitat will implement the policy once finalized.</p> <p>Implementation status: in progress</p> <p>Target date: 31 March 2013</p>
<p>In paragraph 29, UN-Habitat agreed with the Board's recommendation to request that UNON enhance the disclosures within its future financial statements by inserting a footnote to Statement I to state the value of negative entries caused by the cancellation of obligations created in previous periods for projects that remain on-going.</p>	<p>UN-HABITAT was advised by UNON that it does not agree with this recommendation as it will result in UNON deviating from current practices and presentation formats used by UN Headquarters Accounts Division and which UN Secretariat reporting entities are required to follow. It must be noted that all such disclosures will be revised within the context of IPSAS implementation.</p> <p>Implementation status: declined</p> <p>Target date: not applicable</p>
<p>In paragraph 36, The Board reiterates its previous recommendation that UN-Habitat set up specific arrangements to fund its liabilities for end-of-service and post-retirement benefits, for consideration and approval by its Governing Council and the General Assembly.</p>	<p>Implementation status: in progress</p> <p>Target date: 31 March 2013</p>
<p>In paragraph 40, UN-Habitat agreed with the Board's recommendation that UN-Habitat and UNON investigate all unsupported balances within its ledgers, and takes steps to cleanse the ledgers of these balances through appropriate write-offs.</p>	<p>Work on this has started and should be finalized by 31 December 2012.</p> <p>Implementation status: in progress</p> <p>Target date: 31 March 2013</p>
<p>In paragraph 43, UN-Habitat agreed with the Board's recommendation that UN-Habitat, with UNON, strengthen the controls for the capture and recording of its assets, ascertaining the reasons why assets with a combined purchase cost of \$1.88 million were omitted from its asset registers during the biennium, and taking steps to address accounting and control weaknesses.</p>	<p>UN-Habitat revalidated its asset data to ensure completeness and accuracy as at 31 December 2011 and is strengthening its review process starting from the January 2013 asset data reporting period.</p> <p>Implementation status: implemented</p> <p>Target date: 31 December 2012</p>

Brief description of the recommendation	Action taken to implement the recommendation
<p>In paragraph 46, UN-Habitat agreed with the Board's recommendation to establish a simple organization-wide risk management approach, building on its initial work and existing reporting arrangements, and aligned with recent UN HQ developments during 2012.</p>	<p>UN-Habitat with the assistance of the Department of Management Risk Unit is now working on the development of a risk management framework.</p> <p>Implementation status: in progress</p> <p>Target date: 31 March 2013</p>
<p>In paragraph 52, UN-Habitat agreed with the Board's recommendation that UN-Habitat (a) require requisitioners to channel through the UNON Procurement Section all procurement requirements that fall under the procurement delegation of UNON, so that only the UNON Procurement Section creates commitments to vendors; (b) review reports on its use of waivers and ex-post-facto approvals, to assure itself that their use is justified; and (c) where there is evidence that a waiver or ex-post-facto was not appropriate, take action to prevent it happening in future.</p>	<p>The Department of Management clarified procurement delegation between UNON and UN-Habitat. UN-Habitat with the assistance of UNON continues to provide training on the procurement process to its staff. UNON started to provides procurement exception reports.</p> <p>UNON created exception reports reviewed by UN-Habitat.</p> <p>Implementation status: implemented</p>
<p>In paragraph 58, UN-Habitat agreed with the Board's recommendation that UN-Habitat and UNON agree a detailed and costed delivery plan that covers all aspects of IPSAS implementation, setting out the key milestones to be achieved from the present time until the delivery of the first set of IPSAS compliant financial statements in 2014.</p>	<p>UN-Habitat and UNON have now received and accepted an IPSAS Implementation Action Plan.</p> <p>Implementation status: implemented</p>
<p>In paragraph 60, UN-Habitat agreed with the Board's recommendation to clarify its plan for funding its implementation of IPSAS.</p>	<p>UN-Habitat, together with UNEP, has agreed to fund additional IPSAS dedicated staff in UNON. We have also put in place a total of 19 of our staff to work with the joint UNON/UN-Habitat/UNEP IPSAS focal groups. We are working with UNON and UNEP to combine training resources to minimize incremental costs; we have trained professional staff as "Train the Trainers" and most of our staff in finance and related areas have been trained in IPSAS. UN-Habitat is working within its own financial constraints and shall continue to monitor progress.</p> <p>Implementation status: implemented</p>
<p>In paragraph 64, UN-Habitat agreed with the Board's recommendation that UN-Habitat (a) urgently develops a detailed plan for implementation of changes necessary to allow programme development and performance management to be aligned to its new strategic themes, including timescales, milestones for the implementation of key changes, details of performance reporting arrangements and likely resource implications; and (b) communicates the plan to staff so they understand the changes and in turn communicate effectively with stakeholders.</p>	<p>Implementation status: implemented</p>

Brief description of the recommendation	Action taken to implement the recommendation
<p>In paragraph 69, UN-Habitat agreed with the Board's recommendation to enhance its performance reports, by December 2012, to include (a) an assessment of actual against expected expenditure, at both project level and programme level; and (b) explanation of variances, in terms of both utilization rates and performance against targets.</p>	<p>Implementation status: in progress <i>Target date: 31 December 2012</i></p>
<p>In paragraph 70, UN-Habitat also agreed with the Board's recommendation to (a) verify that evidence to support reported performance is robust; and (b) given the number of activities that support UN-Habitat's reported performance, consider adopting a sample-based verification process.</p>	<p>Implementation status: in progress <i>Target date: 31 January 2013</i></p>
<p>In paragraph 71, UN-Habitat further agreed with the Board's recommendation that, when developing its new strategic plan, UN-Habitat makes better use of existing data to set robust, realistic and measurable performance indicators that are sufficiently challenging, and minimize the need for detailed explanation for stakeholders.</p>	<p>Past lessons learned were incorporated to improve performance indicators in the development of the new strategic plan for 2014-15 Implementation status: implemented</p>
<p>In paragraph 75, UN-Habitat agreed with the Board's recommendation that UN-Habitat urgently shares with UN HQ its proposals and specification for its Project Accountability and Accrual System, to determine whether and how it should integrate with Umoja.</p>	<p>Implementation status: implemented</p>
<p>In paragraph 78, UN-Habitat agreed with the Board's recommendation that its Senior Management Committee regularly reviews, at least every six months, performance and progress against UN-Habitat's biennial work programme and budget, and to document its consideration, including any actions to be taken.</p>	<p>Implementation status: in progress <i>Target date: 31 March 2013</i></p>
<p>In paragraph 82, UN-Habitat agreed with the Board's recommendation to determine the best way to both gather and disseminate learning from project evaluations.</p>	<p>The new UN-Habitat Evaluation Policy (October 2012) which is at a final stage of approval includes the gathering and dissemination of lessons learnt. Implementation status: implemented</p>