



**AUDIT**

**OF**

**UNDP HONDURAS**

**PROGRAMA DE APOYO PARA LA EFICIENCIA Y LA TRANSPARENCIA DEL PROCESO  
DE MODERNIZACION DEL DOCUMENTO NACIONAL DE IDENTIFICACION –  
IDENTIFICATE**

**(Nationally Implemented Project No. 118949, Output Nos. 117161 and 115548)**

**Report No. 2280**

**Issue Date: 1 September 2020**

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**Report on the Audit of UNDP Honduras**  
**Programa de apoyo para la eficiencia y la transparencia del proceso de modernización del documento**  
**nacional de identificación en Honduras – IDENTIFICATE**  
**(Nationally Implemented Project No. 118949, Output Nos. 117161 and 115548)**  
**Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 20 July to 7 August 2020, conducted a remote audit of Programa de apoyo para la eficiencia y la transparencia del proceso de modernización del documento nacional de identificación en Honduras – IDENTIFICATE (the Project), which is nationally implemented<sup>1</sup> with support services provided by UNDP Honduras (the Office). This was the first audit of the Project.

The audit aimed to assess the overall project management carried out by the Office in fulfilling the Project's objectives stated in the project document, adherence to UNDP rules and regulations in all programmatic and operational matters and search of opportunities for improvement. Specifically, the audit aimed to assess:

- (a) The governance of the Project.
- (b) Programmatic monitoring and evaluation.
- (c) Financial monitoring and reporting including cash management.
- (d) Operational support to the Project for acquisitions, contracting, engaging of project personnel and administrative services.

The following areas were covered by the audit:

- (a) Governance
- (b) Development activities
- (c) Operations (procurement, finance, human resources and administrative services)

The audit covered the Project's activities from 1 July to 31 December 2019. The Project recorded expenses of approximately \$1.09 million during the audit period.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) Lack of non-verbal feedback bring limitations to the auditors' ability to assess the information.
- (b) Project visit cannot be remotely conducted.
- (c) Physical verification of assets cannot be performed.
- (d) Review of supporting documents is limited.

### **Overall audit rating**

OAI assessed the Office as **satisfactory**, which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

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<sup>1</sup> The responsible units in UNDP facilitate the audits of nationally implemented (NIM) projects. However, this NIM project was audited by OAI following the direct implementation (DIM) modality due to the significant involvement of the Country Office in its implementation, and the subsequent materiality of the amount expensed by UNDP.

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**Key recommendations:** Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” These recommendations include actions to address weaknesses in project gender mainstreaming and monitoring the support provided by the Office to the Project, and weaknesses in the hiring of project personnel.

The two recommendations aim to ensure the following: (a) achievement of the organization’s strategic objectives (Recommendation 1), and (b) compliance with legislative mandates, regulations and rules policies and procedures (Recommendation 2).

**Management comments and action plan**

The Resident Representative accepted the two recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations

## I. About the Project

The UNDP Office in Honduras (the Office) engaged in a nationally implemented project with support services provided by the Office, Project No. 118949, Output Nos. 117161 & 115548 – known as *Programa de apoyo para la eficiencia y la transparencia del proceso de modernización del documento nacional de identificación en Honduras* – IDENTIFICATE. The Office carries out activities on behalf of the Project based on a letter of agreement that outlines the roles and responsibilities of the Office for such activities; as a result, the Office has overall management responsibility and accountability for those activities during project implementation.

The Project was agreed to be executed using UNDP's national implementation (NIM) modality, being the National Registry of Population (RNP - Registro Nacional de las Personas, in Spanish), the implementing partner. As result, the RNP is the entity responsible for the execution of the enrollment process and for the results of the Project. The Office, acting as a responsible party for the Project, ensures the proper development of the Project, provides the goods and services required by the RNP for the efficient execution of the enrolment process and is responsible for the transparent and efficient management of resources, including the monitoring and evaluation of project interventions. The Office is also accountable for the effective use of resources, and is responsible for maintaining documentation and evidence of the proper use of project resources, in accordance with the applicable UNDP rules and regulations.

The project is largely funded by a loan received by the Government from the Central American Bank for Economic Integration (CABEI). The Project was approved with a budget of \$70.8 million, to be implemented in two years, from July 2019 to June 2021. The project document reflects the support provided by the Office as responsible party and establishes that UNDP's rules and regulations govern the Project, including the audit. For 2019, the Project's delivery accounted for \$1.09 million. The expected delivery for 2020 and 2021 amounted to approximately \$61 million and \$8 million, respectively.

As of August 2020 the project had recorded \$15 million of delivery in 2020, corresponding to a quarter of the expected delivery in 2020. OAI was informed that activities in the field were put on hold for a period of three months due to Covid-19 pandemic and slowly started again in July. The situation has been closely monitored and shared with the Project Board. However, based on the work done for the rewarding of contracts on ID Cards, field deployment and other procurement processes the project estimates a delivery of \$45.5 million from September to December 2020. The Office did share that there were concerns about the reemerging of Covid-19 which could impact deliver.

### Financial contributions for Project as per the project document:

Donor	Amount in US \$millions
CABEI	63.5
Government	7.3
<b>Total</b>	<b>70.8</b>

The project document also reflects an in-kind contribution by UNDP of \$0.25 million as part of the required resources for the implementation of the Project. The audit team reviewed the project work plan for 2019 and the delivery rate was below 10 percent and included commitments of around 12 percent. The Office explained that delays in procurement and overall project implementation affected the delivery pace, but that in agreement with stakeholders, the activities were reprogrammed for 2020 and will not affect the overall project timeline.

The main outputs of the Project comprise the acquisition of the following goods needed to carry out the enrollment of individuals in the Country older than 16 years of age that are intended to benefit from the Project, as follows:

1. Enrollment kits (biometrics)
2. Solar panel kits
3. Printing of ID cards (DNI)
4. Strengthening of the RNP

In order to carry out the fieldwork that encompasses enrollment activities throughout the Country, the project intended to hire approximately 3,400 project personnel to carry out fieldwork as enrollers, supervisors and area coordinators.

During the period from 1 July to 31 December 2019, the Project recorded expenses of \$1,086,811 according to the Atlas (enterprise resource planning system of UNDP) combined delivery report.

## II. Audit results

Satisfactory performance was noted in the following areas and sub-areas:

- (a) Operations – Finance. The Office adequately monitored the level and use of project financial resources, managed risk of financial loss, and maintained accurate accounting records. It also adequately controlled commitments and disbursements.
- (b) Operations – Human Resources. The governance, risk management and control systems in the human resources area were adequate, operating and effective.
- (c) Operations – Administrative Services. The governance, risk management and control systems within administrative services, which include travel and administrative support for the Project, were adequate and effective.

OAI made two recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

### Medium priority recommendations:

- (a) Strengthen project gender mainstreaming and monitoring the support provided by the Office to the Project (Recommendation 1).
- (b) Escalate issues of non-compliance with Responsible Party Agreements to the Regional Bureau for Latin America and the Caribbean and the Procurement Support Unit (Recommendation 2).

The detailed assessment is presented below, per audit area:

## A. Development Activities

### 1. Project Administration

#### Issue 1      Weaknesses in gender mainstreaming and monitoring of the support provided by the Office

According to the Programme and Project Management Guidelines, project monitoring is driven by the need to achieve results. Gender mainstreaming should be included in project activities and according to the

level of contribution rated with the appropriate gender marker in the scale from 0 to 3, where 0 means no gender mainstreaming is present and 3 for projects related to gender.

The project design and quality assessment had defined gender mainstreaming as a significant objective and thus a gender marker of 2 was set in Atlas; however, this was not reflected in the Project's multi-year work plan. The project also excluded specific funding and activities to support gender mainstreaming activities. Furthermore, the project monitoring framework had no gender indicators, and thus results were not measurable.

The Office explained that one of the main goals of the Project was the enrollment process that would be instrumental for woman to access banking services.

The audit also found that baselines and targets contained in the monitoring framework for the support provided by the Office on gender mainstreaming were not SMART (specific, measurable, attainable, relevant and trackable).

Weaknesses in project administration of gender mainstreaming put the Office at risk of not achieving its objectives.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>	
The Office should strengthen project gender mainstreaming and the monitoring of the support provided by the Office to the Project by:	
<ul style="list-style-type: none"> <li>(a) updating the project multi-year work plan to include activities with corresponding budget for gender mainstreaming as required by a gender marker 2 with the support of the Regional Gender Team; and</li> <li>(b) reviewing the monitoring framework to include gender indicators and ensuring that all the indicators, baselines and targets for the support provided by the Office are SMART.</li> </ul>	
<b>Management action plan:</b>	
The Office will take the following actions to address the recommendations:	
<ul style="list-style-type: none"> <li>(a) The Office will contact the Regional Gender Team to update the project multi-year work plan as appropriate during the second semester so that the revision is finalized by year-end.</li> <li>(b) Monitoring framework will be reviewed as appropriate.</li> </ul>	
<b>Estimated completion date:</b> December 2020	

## B. Operations/Procurement

### 1. Goods and Services

**Issue 2**      Weaknesses in hiring of project personnel

Collaborative relationships extend the reach and effectiveness of UNDP programmes by leveraging the capacity and networks of civil society organizations (CSOs). Responsible Party Agreements should provide a written agreement with a CSO, to provide for goods and/or services to a project, carry out project activities and/or produce outputs using the project budget.

The Office entered into a Responsible Party Agreement. The activities under this agreement related to the recruitment of project personnel to be carried out by the Chamber of Commerce and Industries of Tegucigalpa (CCIT). The Agreement stipulated that the:

- parties would carry out their responsibilities (activities) in accordance with their own mandates and policies.
- activities carried out by the CCIT, as responsible party would be consistent with the rules, regulations, policies, and procedures of UNDP.
- CCIT would be responsible for all personnel contracted for the implementation of activities and outputs produced.

The audit team reviewed individual contracts issued by the Office, signed by the Resident Representative, for the candidates proposed by CCIT. The audit team noted that:

- CCIT carried out the recruitment of project personnel in accordance with their own mandates; for example, psychological examinations were carried out, which is not required for UNDP Offices when hiring individual contracts.
- The Office was signatory of the individual contracts for project personnel, and therefore the responsibility for the implementation of the project activities and outputs was transferred to the Office; however, the Responsible Party Agreement stipulated that CCIT would be responsible.
- Individual contracts, used for hiring the CCIT proposed candidates, was inadequate as the tasks to be carried out were not timebound and quantifiable outputs, but rather the tasks were to be performed on a continuous basis, by the project personnel, to produce the project outputs.

The Office indicated that the intervention of the CCIT was strategic due to CCIT capacity to recruit the significant number of project personnel required for the Project.

By not following the Responsible Party Agreement, the Office could be held accountable for actions not under its control.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>	
The Office should escalate issues of non-compliance with Responsible Party Agreements to the Regional Bureau for Latin America and the Caribbean and the Procurement Support Unit, seeking advice on the hiring modality adopted.	
<b>Management action plan:</b>	
The Office will formalize consultations with the Regional Bureau for Latin America and the Caribbean and the Procurement Support Unit in order to minimize potential risks in the coming weeks, so that a mitigation plan should be implemented by year-end.	
<b>Estimated completion date:</b> December 2020	

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## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.