



AUDIT

OF

COVID RESPONSE – PROGRAMA BONO UNICO
(Directly Implemented Project No. 126787, Output No. 120740)

IN

UNDP HONDURAS

Report No. 2499
Issue Date: 22 July 2022

**Report on the Audit of UNDP Honduras
COVID Response – Programa bono unico
(Project No. 126787, Output No. 120740)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn LLP (the audit firm), from 30 May to 24 June 2022, conducted an audit of *COVID Response – Programa bono unico* (Project No. 126787, Output No. 120740) (the Project), which is directly implemented and managed by the UNDP Country Office in Honduras (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA), the 700 series, to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenses for the period from 1 January to 31 December 2021 and the accompanying Funds Utilization statement¹ as of 31 December 2021. The audit did not cover the Statement of Assets as no assets were held by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (The IIA)*.

Audit results

Based on the audit report submitted by the audit firm, the results are summarized in the table below:

Project Expenses*	
Amount (in \$ '000)	Opinion
9,667	Unmodified

* Expenses recorded in the Combined Delivery Report (CDR) were \$9,817,060. The audit only covered project expenses that corresponded to Output No. 120739 (\$9,666,821).

As of 31 December 2022, the CDR recorded commitments amounting to \$4,268,587, of which \$79,126 was recorded as expenses in the first semester of 2022. The remaining amount (\$4,189,461) was returned by the bank to the Office and this amount is in the process of being returned to the project counterpart with whom the project document was signed in order to close the project.

An Emphasis of Matter statement was raised by auditors on the use of account 74510 'Bank Charges' to record the project expenses related to cash transfers to the local bank for the implementation of the project activities. The audit opinion was not modified as this matter was already addressed by UNDP headquarters who recommended the Office on the use of an alternate account (72170 'Svc Co-Humanitarian Aid & Relf') for any future transfers.

The audit did not result in any recommendations.

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

Management comments and action plan

Comments and/or additional information provided have been incorporated into the report, where appropriate.

A handwritten signature in blue ink, appearing to read 'B G Simpson', is located inside a rectangular box.

Brett Simpson
Officer-in-Charge
Office of Audit and Investigations

AUDIT

OF

**UNITED NATIONS DEVELOPMENT PROGRAMME
HONDURAS**

COVID RESPONSE – PROGRAMA BONO UNICO

(Directly Implemented Project No. 00126787, Output ID 00120740)

Issue Date: 22 July 2022

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Report on the Audit of UNDP Honduras
COVID RESPONSE – PROGRAMA BONO UNICO
(Project No. 00126787, Output ID 00120740)

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn (the audit firm) conducted the audit of the project “Covid Response – Programa Bono Único” (Project ID 00126787, Output ID 00120740) (the Project), which is directly implemented by UNDP Honduras (the Country Office). The duration of the audit was from 30 May to 24 June 2022.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project’s operations. The audit covered the Project’s Combined Delivered Report, which includes expenses for the period from 1 January to 31 December 2021 and the accompanying Funds Utilization statements¹ as at 31 December 2021.

The audit included activities and expenses incurred or undertaken by the project. There were no responsible parties engaged for the implementation of this project. In addition, the audit did not cover the Statement of Assets as no assets were kept by the Project and did not cover the Statement of Cash Position as no separate bank account was established and maintained for the project

The audit was conducted under the general supervision of OAI in conformance with the International Standards for the Professional Practice of Internal Auditing.

Audit results

Based on the audit report submitted by the audit firm, the results are summarized in the table below:

Project Expenses *		Project Assets	
Amount (in \$ ‘000)	Opinion	Amount (in \$ ‘000)	Opinion
9,667	Unmodified	-	Not applicable

* Expenses recorded in the Combined Delivery Report for output 00120740 subject of this audit amounted to USD 9,666,820.70.

Commitments recorded in the CDR as at 31 December 2021 amounted to USD 4,268,587.27. Commitments disbursed and recorded as expenses in project records in the first semester of 2022 were USD 79,125.75. The difference of USD 4,189,461.52 was returned by the bank to the Country Office.

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

The project aimed to support the Government of Honduras in the prioritization of vulnerable groups most affected by the Covid-19 pandemic; to alleviate the financial constraints of affected population, a bonus was created for some USD60 to be provided to individual families selected throughout the country following a set of criteria and defined as targeted individuals/project beneficiaries. As result, a cash transfer mechanism was devised through a selected local bank using electronic notification via SMS (Short Message Service) sent to the project beneficiaries' cell phones by which beneficiaries received a unique code for a consumption coupon.

The process followed was:

1. Identification of the targeted individuals / project beneficiaries
2. Validation of phone numbers
3. Cash transfer mechanism created in order to provide USD 60 bonus to individual families selected following a set of criteria agreed between the project and the project counterpart.
4. The Country Office transferred the funds to the bank responsible to transfer the funds (coupon bonus) to beneficiaries. The obligation of the bank was:
 - a. Receipt / manage project funds
 - b. Review of the database of beneficiaries
 - c. Creation of the vouchers (coupons) for individual beneficiaries
 - d. Submission of coupons to the beneficiaries in collaboration with a telecommunications company in the country
 - e. Beneficiaries received a unique code for a consumption coupon
 - f. Notification to the Country Office of the coupons / amounts used.

From the last submission of funds to the bank in 2021, USD 4,189,461.52, registered as commitments in the CDR as at 31 December 2021, were not transferred to beneficiaries in its entirety due to several reasons. Therefore, funds were returned by the bank to the Office in the first semester of 2022. The amount kept by the Office is in the process of being returned to the project counterpart with whom the project documents was signed to be able to close the project in 2022.

Prepayments recorded in the Combined Delivery Report as at 31 December 2021 amounted to USD 4,229,571.51. Following the POPP definition: "*a prepayment is used when a supplier requires partial or full payment for goods or services prior to the delivery/provision of the goods or services*". For this project, the prepayments were made to a selected local bank responsible for the cash transfer to beneficiaries' mechanism.

The cash transfers effected to the local bank were recorded in account code 74510 Bank Charges in the absence of a dedicated account code as per the chart of accounts and thus reflected in the Combined Delivery Report as at 31 December 2021. The use of account 74510 bank charges had been disclosed as an audit finding in the audit report corresponding to the Country Office audit carried out by the Office of Audit and Investigations in September 2021. The recommendation was to reclassify the expenses charged to account 74510 to another account. After this matter was escalated to the Office of Financial Management at UNDP Headquarters by the Country Office along with the Regional Bureau for Latin America and the Caribbean, the financial year 2021 was in the process of being financially closed. As result, the Office of Financial Management recommended the Country Office that transfers to the bank in 2021 be kept in the bank charges 74510 account and that the Office should use 72170 account for any transfers in 2022. As result of this decision, we did not issue a recommendation on the use of account 74510.

No income from interests on the funds passed through the bank were accrued in favour to the Country Office as amounts held by the local bank were not subject to generate interest as no such clause exist in the contract signed between the Country Office and the bank.

The audit did not result in any recommendations.

Management comments and action plan

Comments and/or additional information provided by the Management of the Country Office has been incorporated into the report, where appropriate.

**United Nations Development Programme
(UNDP)**

Report of the Independent Auditor on
the United Nations Development Programme (UNDP)
Directly Implemented (DIM) Project

Project name:	Covid Response – Programa Bono Único
Output name:	COVID-19 Apoyo entrega beneficiarios
UNDP Country Office:	Honduras
Atlas Project ID:	00126787
Atlas Output ID:	00120740
Auditor:	PKF Littlejohn
Period subject to audit:	1 January to 31 December 2021

EXECUTIVE SUMMARY

PKF Littlejohn conducted the financial audit of UNDP DIM Project ID 00126787 "Covid Response – Programa Bono Único" Output ID 00120740 (the Project), directly implemented by UNDP Honduras (The Office) for the period from 1 January to 31 December 2021. The audit was undertaken on behalf of the United Nations Development Programme (UNDP) Office of Audit and Investigations (OAI).

Audit opinions

We have issued audit opinions as summarized in the table below and as detailed in the next section:

Project Financial Position	Unmodified
Statement of Fixed Assets	Not applicable because the Project did not keep any assets
Statement of Cash	Not applicable because the project did not maintain a separate bank account.

Management letter summary

There were no reportable findings with a medium or high priority rating consequently we do not issue a management letter.

Prior year audit

The project ID 00126787 "Covid Response – Programa Bono Único" Output ID 00120740 was not audited in the prior year and therefore there were no recommendations to follow up on.

A handwritten signature in blue ink that reads "PKF Littlejohn LLP". The signature is stylized and includes a long horizontal line underneath.

PKF Littlejohn LLP

22 July 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

THE AUDIT ENGAGEMENT

Audit Objectives and Scope

The objective of the financial audit was to express an opinion on the DIM project's financial position which includes:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January to 31 December 2021 as well as the Funds Utilization statement as at 31 December 2021 and the accounts receivable and accounts payable as at 31 December 2021 are fairly presented in accordance with UNDP accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.
- Expressing an opinion on whether the Statement of Fixed Assets, at net book value, presents fairly the balance of depreciated assets of the project as at 31 December 2021. This statement must include all assets available as at 31 December 2021 and not only those purchased in a given period. Where a DIM project does not have any assets or equipment, it is not necessary to express such an opinion.
- Expressing an opinion on whether the Statement of Cash held by the project presents fairly the cash and bank balance of the project as at 31 December 2021. Disbursements made against a project are usually financed from regular country office bank accounts. Exceptionally, a dedicated account may be opened and used solely for the cash transactions of a project, e.g., if the project is in a remote location. The audit firm is required to express an opinion on the Statement of Cash only where a dedicated bank account for the project has been established. In cases where the cash transactions of the audited project are made through the country office bank accounts this type of opinion is not required.
- As maybe applicable, provide the progress made in implementing the recommendations raised in previous year audit report.

The Financial Audit was conducted in accordance with the International Standards on Auditing (ISA), the 700 series.

The scope of the audit relates only to transactions concluded and recorded against the UNDP project between 1 January to 31 December 2021. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of "responsible parties", unless the inclusion of these expenses is specifically required in the request for proposal, and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.

INDEPENDENT AUDITOR'S REPORT

**To: The Director of the Office of Audit and Investigations (OAI)
United Nations Development Programme (UNDP)**

Regional Audit and Investigation Office for Latin America and Caribbean – Panama City,
Panama

We have audited the financial position of the UNDP project ID 00126787 “Covid Response – Programa Bono Único” Output ID 00120740, for the period 1 January to 31 December 2021 which includes: (a) the accompanying Combined Delivery Report (CDR); (b) the Funds Utilization statement (“the statement”); and (c) the project-related accounts receivable and accounts payable. The audit was carried out from 30 May to 24 June 2022.

The CDR expenditure totalling USD 9,666,820.70 is comprised exclusively of expenditure directly incurred by the Office. Our audit covered the expenditure directly incurred by the Office of USD 9,666,820.70.

Unmodified opinion

In our opinion, the attached CDRs and Funds Utilization statement present fairly, in all material respects, the expenses of USD 9,666,820.70 directly incurred by Country Office and charged to the project for the period 1 January to 31 December 2021 in accordance with UNDP accounting policies and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

Basis for unmodified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the ‘Auditor’s responsibilities’ for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with this code. We have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the section Audit Results which explains the use of the account code 74510 Bank Charges to reflect the project expenses related to cash transfers to the local bank for the implementation of the project activities. Our opinion is not modified in respect of this matter.

Management responsibilities

Management is responsible for the preparation of the CDR and the Funds Utilization statement of the project, and for such internal control as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and the Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



PKF Littlejohn LLP

22 July 2022

15 Westferry Circus
Canary Wharf
London E14 4HD

Combined Delivery Report and Funds Utilizations Statements - 2021 – Project No. ID 00126787 - Output IDs 00120740

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Combined Delivery Report

Project: **00126787 - COVID-19 CO Response**

Country: **Honduras**

Period: **Quarter 4, 2021**

Status: **Approved (DIM Project)**

Report by Output and Fund

Account	Description	Government	UNDP	UN Agencies	Total
Output: 00120739 - COVID-19 Registro beneficiario		0.00	150,239.18	0.00	150,239.18
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	110,308.64	0.00	110,308.64
71405	Service Contracts-Individuals	0.00	24,163.62	0.00	24,163.62
71410	MAIP Premium SC	0.00	14.16	0.00	14.16
71415	Contribution to Security SC	0.00	1,128.40	0.00	1,128.40
71470	Natl Personnel Svcs Agreement	0.00	6,182.29	0.00	6,182.29
72425	Mobile Telephone Charges	0.00	260.56	0.00	260.56
72445	Common Services-Communications	0.00	4,300.00	0.00	4,300.00
72605	Grants to Instit & other Benef	0.00	9,999.09	0.00	9,999.09
74110	Audit Fees	0.00	64,258.18	0.00	64,258.18
76125	Realized Loss	0.00	2.34	0.00	2.34
Fund: 30084 - Prog Resources from 11888		0.00	39,930.54	0.00	39,930.54
72445	Common Services-Communications	0.00	37,753.22	0.00	37,753.22
75105	Facilities & Admin - Implement	0.00	2,177.32	0.00	2,177.32
Output: 00120740 - COVID-19 Apoyo entrega benefic		0.00	9,666,820.70	0.00	9,666,820.70
Fund: 30071 - Programme cost sharing - GOV1		0.00	9,666,820.70	0.00	9,666,820.70
72445	Common Services-Communications	0.00	12,594.89	0.00	12,594.89
74510	Bank Charges	0.00	9,518,652.84	0.00	9,518,652.84
75105	Facilities & Admin - Implement	0.00	285,937.42	0.00	285,937.42
76125	Realized Loss	0.00	7,740.16	0.00	7,740.16
76135	Realized Gain	0.00	-158,104.61	0.00	-158,104.61
Project Total:		0.00	9,817,059.88	0.00	9,817,059.88

Report by Activity and Fund

Account	Description	Government	UNDP	UN Agencies	Total
Output: 00120739 - COVID-19 Registro beneficiario		0.00	150,239.18	0.00	150,239.18
Activity: ACTIVITY 1.1 - Create a roadmap-focalization		0.00	31,749.21	0.00	31,749.21
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	31,749.21	0.00	31,749.21
71405	Service Contracts-Individuals	0.00	24,163.62	0.00	24,163.62
71410	MAIP Premium SC	0.00	14.16	0.00	14.16
71415	Contribution to Security SC	0.00	1,128.40	0.00	1,128.40
71470	Natl Personnel Svcs Agreement	0.00	6,182.29	0.00	6,182.29
72425	Mobile Telephone Charges	0.00	260.56	0.00	260.56
76125	Realized Loss	0.00	0.18	0.00	0.18
Activity: ACTIVITY 1.2 - Data expansion		0.00	44,230.54	0.00	44,230.54
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	4,300.00	0.00	4,300.00
72445	Common Services-Communications	0.00	4,300.00	0.00	4,300.00
Fund: 30084 - Prog Resources from 11888		0.00	39,930.54	0.00	39,930.54
72445	Common Services-Communications	0.00	37,753.22	0.00	37,753.22

75105	Facilities & Admin - Implement	0.00	2,177.32	0.00	2,177.32
Activity: ACTIVITY 1.6 - Audit mechanism		0.00	74,259.43	0.00	74,259.43
Fund: 04000 - TRAC (Lines 1.1.1 and 1.1.2)		0.00	74,259.43	0.00	74,259.43
72605	Grants to Instit & other Benef	0.00	9,999.09	0.00	9,999.09
74110	Audit Fees	0.00	64,258.18	0.00	64,258.18
76125	Realized Loss	0.00	2.16	0.00	2.16
Output: 00120740 - COVID-19 Apoyo entrega benefic		0.00	9,666,820.70	0.00	9,666,820.70
Activity: ACTIVITY 2.1 - Priorización de trabajadores		0.00	12,972.74	0.00	12,972.74
Fund: 30071 - Programme cost sharing - GOV1		0.00	12,972.74	0.00	12,972.74
72445	Common Services-Communications	0.00	12,594.89	0.00	12,594.89
75105	Facilities & Admin - Implement	0.00	377.85	0.00	377.85
Activity: ACTIVITY 2.2 - Implementar mec notificacion		0.00	9,653,847.96	0.00	9,653,847.96
Fund: 30071 - Programme cost sharing - GOV1		0.00	9,653,847.96	0.00	9,653,847.96
74510	Bank Charges	0.00	9,518,652.84	0.00	9,518,652.84
75105	Facilities & Admin - Implement	0.00	285,559.57	0.00	285,559.57
76125	Realized Loss	0.00	7,740.16	0.00	7,740.16
76135	Realized Gain	0.00	-158,104.61	0.00	-158,104.61
Project Total:		0.00	9,817,059.88	0.00	9,817,059.88

Funds Utilization

Output: 00120740 - COVID-19 Apoyo entrega benefic	UNDP Amount
Implementing Partner: 99999 - UNDP	
Outstanding NIM Advances:	0.00
Undepreciated Fixed Assets:	0.00
Unamortized Intangible Assets:	0.00
Inventory:	0.00
Prepayments:	4,229,571.51
Commitments:	4,268,587.27

Signed on behalf of Implementing Partner:

Rose Diegues
 rose.diegues@undp.org
 UNDP

Date: Mar 30, 2022

DocuSigned by:

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 PKF Littlejohn LLP
 15 Westferry Circus
 Canary Wharf
 London
 E14 4HD

INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FIXED ASSETS

To: The Director of the Office of Audit and Investigations (OAI)

United Nations Development Programme (UNDP)

Regional Audit and Investigation Office for Latin America and Caribbean – Panama City,
Panama

We noted that the project ID 00126787 “Covid Response – Programa Bono Único” Output ID 00120740, did not present balances in the fixed assets accounts and accordingly a Statement of Fixed Assets was not produced.

INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH

To: The Director of the Office of Audit and Investigations (OAI)

United Nations Development Programme (UNDP)

Regional Audit and Investigation Office for Latin America and Caribbean – Panama City,
Panama

We noted that the project ID 00126787 “Covid Response – Programa Bono Único” Output ID 00120740, did not have a dedicated bank account for the project subject to audit and accordingly a Statement of Cash was not produced.