

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

HONDURAS

Report No. 2013
Issue Date: 18 January 2019

Report on the Audit of UNDP Honduras Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Honduras (the Office) from 19 to 30 November 2018. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 30 September 2018. The Office recorded programme and management expenses of approximately \$32.2 million. The last audit of the Office was conducted by OAI in 2015.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **partially satisfactory/some improvement needed**, which means, "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." The rating was due to weaknesses in the Office's organizational structure, and to the Office's financial sustainability being at risk.

Key recommendations: Total = 7, high priority = 2

The seven recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2	High
	3	Medium
Reliability and integrity of financial and operational information	5, 6	Medium
Effectiveness and efficiency of operations	7	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4	Medium

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

Weaknesses in organizational structure and unclear roles and responsibilities (Issue 1)

The audit team found the following gaps in the Office's structure:

- Two key posts remained vacant at the time of audit: The Finance Associate post (three years without being encumbered) and the Programme Assistant post. In the case of the Finance Associate post, the Office explained that finding the right candidate was a challenge due to the salary offered.
- There was a lack of operational support for programme implementation. The audit team noted that only one Programme Assistant was providing operational and administrative support to several programme unit staff members.
- The Programme Management Support Unit undertook activities that conflicted with their functions, such as resource mobilization, project implementation, monitoring and evaluation.
- Service contract holders were granted project manager access in Atlas (enterprise resource planning system of UNDP), allowing them wider access than only their projects.
- Only one staff member was assigned to approve vendors, which was not in line with the Internal Control Framework.

Recommendation 1: The Office should improve its organizational structure and clarify roles and responsibilities by: (a) ensuring that gaps and lapses in the segregation of duties are adequately addressed; and (b) providing external access to service contract holders to limit their accessibility to information in Atlas.

Office's financial sustainability at risk (Issue 2)

As of the audit fieldwork, there were arrears of \$2.5 million in Government Contributions to Local Office Costs (GLOC) for the period covering 2008 to 2018, despite the efforts made by the Office to collect them from the Government.

The Office's delivery showed a declining trend, from \$19 million in 2016, to \$18.7 million in 2017, and to \$15.5 million in 2018. For 2019, the Integrated Work Plan estimated \$18 million in delivery. In addition, the audit team found that the percentage of General Management Support rate was low (less than 5 percent on average) and thus insufficient to cover costs, as was the case of a telecommunications project implemented at a 3.5 percent recovery rate.

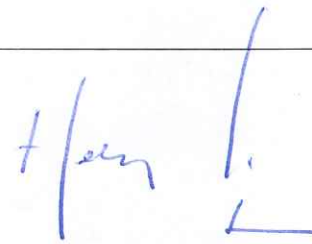
In addition, with limited donor presence, and given the middle-income status of the country, the pipeline of the Office had no Class "A" projects and only two Class "B" projects with estimated funding of close to \$2 million.

Recommendation 2: The Office should improve its financial sustainability by: (a) expanding efforts to collect the Government Contributions to Local Office Costs by engaging the Regional Bureau for Latin America and the Caribbean to escalate the matter to the Permanent Mission of Honduras to the United Nations; (b) increasing delivery and reducing operational costs; and (c) enhancing the project pipeline, improving resource mobilization and seeking other funding sources.

Management comments and action plan

The Resident Representative accepted all seven 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