



AUDIT

OF

UNDP COUNTRY OFFICE

IN

HONDURAS

Report No. 2310
Issue Date: 3 September 2021

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 7 to 22 June 2021. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information and communication technology (ICT)

OAI designed the following performance audit questions:

Main question: **To what extent are project results likely to be achieved?**

- (a) Governance
 - i. Was the Office’s organizational structure adequate to achieve the agreed results in its portfolio of projects?
- (b) Development activities
 - ii. Was project management undertaken effectively?
 - a. Were projects designed with clear and measurable results linked to strategic objectives?
 - b. Was project monitoring timely undertaken?

The audit covered the activities of the Office from 1 January 2020 to 31 March 2021. The Office recorded programme and management expenses of approximately \$85.5 million. The last audit of the Office was conducted by OAI in 2018.

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) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team’s understanding of the Office’s working environment.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) Safe content and petty cash were not verified.
- (f) The information and communication technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office’s performance as **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.” This rating was mainly due to inadequacies in travel management and the safeguarding of assets.

Key recommendations: Total = **4**, high priority = **2**

The five recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	2	Medium
Safeguarding of assets	4	High
Compliance with legislative mandates, regulations and rules, policies and procedures	1	Medium
	3	High

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. The high (critical) priority recommendations are presented below:

Inadequate travel management (Issue 3)

The audit identified instances where the travel policy was not adhered to, as follows:

- It was not possible to determine the compliance of travel itineraries, as travel requests were approved without clear information on mission objectives/agendas and official itineraries, especially those containing multiple destinations and modes of transportation. It was noted that while itinerary quotes were provided by the travel agent, there was no information from the Office/requester regarding official dates or itineraries to quote.
- One travel request was approved after the mission commenced, where the policy establishes that all business travel should be approved prior to travel.
- 6 out of 11 missions were entered and approved in the system less than five days in advance. In two cases the day prior to departure and in one case on the same day travel commenced. In five of these cases, tickets were bought in business class lacking sufficient time in advance to assess whether the lowest fare could have been obtained; the travel policy strongly encourages to purchase tickets at least 21 days in advance of travel when traveling in the class below first class and at least 14 days in advance when traveling in economy class.
- Four tickets for non-staff were bought in business class without proper justification, as no forms were submitted for approval.
- Two travel claims contained expenses reimbursed without supporting documents (lack of invoice or justification).
- Multiple travel requests were created for a single mission (a staff on detail assignment) and were closed before the staff could return to his duty station.

Recommendation: To improve travel management, the Office should: (a) ensure that all staff involved in processing travel are adequately trained and up to date with travel policy updates; (b) fully comply with the UNDP travel policy, ensuring that documentation is complete, and information is available for accurate and timely processing of both, travel requests, and travel claims; and (c) update the Long-Term Agreement for travel services.



Weaknesses in assets management (Issue 4)

The audit disclosed discrepancies between the assets reported in the In-Service Report (ISR) included in the latest Asset Certification package and the assets/items in actual custody of the Office. The audit also noted that assets had been retired from the system without having been physically removed from the premises.

Recommendation: Ensure in a timely fashion the accuracy of asset verification records; Ensure the correct disposal of assets that are no longer used by the Office; and finalize the physical removal of assets (automobiles) that were retired from the system.

Management comments and action plan

The Resident Representative accepted all the 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.

A handwritten signature in black ink, appearing to read 'H. Osttveiten', with a small '+' symbol to the left.

Helge
Osttveiten
2021.09.03
14:18:30 -04'00'

Helge S. Osttveiten
Director
Office of Audit and Investigations