

**EVALUATION OF THE  
ASSISTANCE TO THE CONTROLLER GENERAL  
OF THE REPUBLIC OF HONDURAS**

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***Submitted to:***  
USAID/Tegucigalpa  
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## EXECUTIVE SUMMARY

### (AN EVALUATION OF THE ASSISTANCE TO THE CONTROLLER GENERAL OF THE REPUBLIC OF HONDURAS)

#### **Grant Objectives and History**

The grant for Assistance to Controller General of the Republic of Honduras was signed in August 1988 with the purpose of strengthening the Controller General of the Republic (CGR) by applying modern audit techniques and assisting other government entities in implementing internal control systems and related financial management practices. The four outputs of the project were: 1) development of institutional objectives; 2) definition of CGR's role and relationships with other state institutions; 3) introduction of generally accepted auditing standards; and 4) staff training.

Before the project was undertaken, the CGR was regarded as a rather ineffectual, politically motivated organization performing old-style account reviews. The status and problems of the CGR were confirmed by a Price Waterhouse diagnostic report in 1987, which contained eight major recommendations to upgrade the image and effectiveness of the CGR by providing training so it could perform modern style audits containing financial statements with an opinion, internal control review and recommendations, and a compliance section.

The Mission incorporated the recommendations from the Price Waterhouse diagnostic report into a two-year grant agreement for US\$495,000 signed in August 1988. The grant agreement provided for a long-term technical assistance contract. The team under the contract consisted of a chief of party and a training consultant. The technical assistance team assisted in drafting standards, norms, personnel materials, preparing and teaching courses, conducting seminars and providing quality control services. Other inputs under the grant included dollar expenditures for computers, office equipment and funds for local currency expenditures.

#### **Purpose and Methods of Evaluation**

The purpose of this project evaluation is to: 1) determine the grant's effectiveness in achieving stated grant objectives; 2) determine the effectiveness of the technical assistance in improving Controller General audit operations 3) ascertain the degree to which the training and managerial capacities have been institutionalized and are likely to be sustained after the project ends; and 4) generate recommendations about efforts that could be undertaken by the Controller General to increase accountability within the public sector.

The evaluation of the CGR is based on a fifteen-day visit to Honduras between September 3 and October 5, 1990. The evaluator was James R. Funkey, CPA for Management Systems International. During this time, the evaluator had the opportunity to interview at length members of USAID/Honduras; interview CGR auditors and management; meet with client agencies of CGR; interview the long-term technical assistance

team; review draft auditing standards, organization manual, and personnel manual; observe training courses; and review old- and new-style audit reports for CGR clients.

The grant agreement was transformed into a logical framework to provide a standard against which the grants progress was measured. Among the indicators of grant effectiveness were: completion of modern-style audits, the modernization of CGR administrative systems, adoption of personnel standards, changes in Honduran law for the CGR, drafting and adoption of generally accepted auditing standards and training of CGR personnel in new-style audits.

## FINDINGS

The evidence gathered from this evaluation indicates the major objectives have been accomplished and in some respects have surpassed expectations. Despite the slow start of the long-term technical assistance in July 1989, the grant has improved the ability of the CGR auditors to the level where they can and are performing modern-style audits. The management and Price Waterhouse long-term technical staff consist of highly qualified professionals with a shared interest in promoting improved government auditing in Latin America.

The outputs of the grant can be seen clearly when related to the grant inputs and purpose as follows:

- Development of Institutional Objectives: An outcome of the grant was the modernization of the CGR's administration and structure through new training and standards offices, a personnel classification manual, and a data processing department with computer applications for administrative areas.
- Defining the CGR Role and Relations With Other State Institutions: An outcome of the project was draft legislation to change the law governing the CGR by improving the legal basis to perform the new style audits and charging the audited entities for a percentage of their budget for CGR audit services. The law is expected to be presented to the Honduran Congress in early 1991. A course and seminars were also given to personnel of other Honduran public agencies on internal control and other topics.
- Introduction of Generally Accepted Auditing Standards: The generally Accepted Government Auditing Standards (GAGAS) of Honduras have been drafted as well as a majority of the auditing manual, which should be finished and accepted by the end of 1990.
- Staff Training: Among the most significant outcomes of the project was the training of virtually all of the CGR auditors in a four-month intensive training course. Favorable comments have been received from all who have been

in contact with the course or from the trained auditors, including the students themselves, CGR management, clients and long-term technical assistance personnel.

- Performance of Modern-Style Audits: Five modern-style audits, two financial-related audits and three financial statement audits have been performed by the CGR as of the end of September 1990 on entities ranging from a US\$1 million agency for the supply of basic foods to needy persons, to a US\$120 million agricultural development bank. The reports contained financial statements or reports with an opinion, an internal control section with findings and recommendations and a compliance section, all of which were extremely well done. No performance audits have been performed by the CGR to date.
- Achievement at the Goal Level: While it is too early to know the effect of the improvement of the CGR operations on the Honduran public sector, the observed management of funds in an efficient and fully accountable manner, and the appreciation expressed by several of the management staff of the audited large public sector agencies for the new style audits were all encouraging.
- Sustainability: Since all of the CGR auditors have been given an intensive four-month training course, returning to old-style audits would be difficult. The present management is committed to the improvement of the CGR audit capability until their terms end in 1992. The long-term sustainability of the project purpose of performing modern-style audits will depend on the will of the Hondurans to pass the drafted changes in the law regulating the CGR, to increase CGR budget allocations, and future CGR management appointees.

## CONCLUSIONS

Overall, the project achieved what was stated in the grant agreement with modernization of CGR's administration in process, changes in the law governing the CGR being drafted, changes in the Generally Accepted Government Standards being drafted, and all of CGR's auditors being trained in modern audit methods. As the long-term technical assistance team will not finish its work until the end of 1990 due to a slow start of the contract in July 1989, some of the outputs under the grant have yet to be finished.

## RECOMMENDATIONS

1.1 AID should follow up on the formal acceptance of the Personnel Classification Manual.

1.2 CGR should organize its audit departments with an approximate equal number of auditors in each department.

1.3 CGR should complete staffing of the Department of Audit Planning, Organizations and Systems and the Government Auditors Professional Training Center.

2.1 AID should follow up on, motivate and assist the CGR to have the proposed changes in the law relating to the CGR made into law.

2.2 AID should fund additional courses/seminars for other Honduran government finance/accounting officials.

3.1 AID should follow up on the acceptance and use of the Generally Accepted Auditing Standards of Honduras and Auditing Manual.

3.2 AID should provide funding for the continuation of quality control activities after the long-term technical assistance contract has ended.

3.3 CGR should implement a formal method of follow-up for audit findings and recommendations.

4.1 AID should provide funding for further training of CGR auditors.

4.2 AID should provide funding for supervision in 1991 for CGR auditors.

4.3 In the long term, AID should consider funding the extension of the GAGAS of Honduras to include performance auditing if the CGR can increase the budget resources at its disposal through increased budget allotment or by charging clients for services.

## **LESSONS LEARNED**

The lessons learned in the project are as follows:

1) The CGR could be upgraded to perform modern-style audits with modest amounts of technical assistance combined with support from a receptive management.

2) It appears that the grant-sponsored training will result in a measurable increase in the productivity of auditors so that CGR can provide more audit services.

3) Initial training activities must be followed up with increased supervision and quality control activities to put into practice material learned in training courses.

## SECTION A: OVERALL PROJECT PROGRESS

### A.1 PROJECT OBJECTIVES

The project was initiated by a request from the Honduran Controller General to study the modernization to the Controller General of Republic (CGR). In 1987, Price Waterhouse performed a diagnostic study of the CGR to determine the actual state of the institution and find ways of upgrading and modernizing the CGR. Price Waterhouse found that the CGR, which was established under a 1957 law which permitted the use of modern audit techniques, was concentrating on reviews of accounts and employee accounts receivable. The report presented eight major recommendations, which were incorporated into a two-year US\$495,000 grant to the CGR. The grant had as its purpose the strengthening of the CGR to apply modern audit techniques and assist other governmental entities to implement internal control systems and related financial management practices. Achievement of the project purpose, along with other Honduran government actions, will hopefully lead to the goal of the public sector in Honduras managing its funds efficiently and in a fully accountable manner.

The four main outputs under the grant agreement are as follows:

1. Development of Institutional Objectives.
2. Defining the CGR Role and Relationship With Other State Institutions.
3. Introduction to Generally Accepted Auditing Standards.
4. Staff Training.

The objectives, goal, outputs, and inputs were transformed into a logical framework on the following pages. The review performed by the MSI team follows the format of the logical framework.

ASSISTANCE TO THE CONTROLLER GENERAL OF THE REPUBLIC OF HONDURAS  
LOGICAL FRAMEWORK

| NARRATIVE SUMMARY  | OBJECTIVELY VERIFIABLE INDICATORS   | MEANS OF VERIFICATION  | ASSUMPTIONS  |
|--|---|--|--|
| <p><b>GOAL:</b></p> <p>Public sector in Honduras manages funds efficiently and in a fully accountable manner.</p>  | <ul style="list-style-type: none"> <li>• Audits are carried out for all government agencies.</li> <li>• Audit reports, over several years, show that audit recommendations are acted upon and that efficiency has improved.</li> <li>• Property records and other aids to accountability exist in all government agencies.</li> </ul>   | <ul style="list-style-type: none"> <li>• Review of audits of a sample of Honduran government agencies for several years.</li> <li>• Review of recordkeeping systems for a sample of Honduran government agencies.</li> </ul>   |  |
| <p><b>PURPOSE:</b></p> <p>Controller General of the Republic (CGR) of Honduras carries out the audit function effectively, using modern auditing procedures, and assists other public sector agencies to install appropriate financial systems and controls.</p> | <p style="text-align: center;"><b>END OF PROJECT STATUS (EOPS):</b></p> <ul style="list-style-type: none"> <li>• Financial and/or program and efficiency audits are routinely carried out by the CGR, as opposed to older-style expenditure audits.</li> <li>• Public sector agencies in Honduras have developed and are implementing appropriate internal control systems and related financial management practices, e.g., having two people sign checks and a third person independently reviewing all such transactions.</li> <li>• The CGR has the financial, technical and managerial capacity, as well as the interest and will to sustain the use of modern audit methods and train new staff in their use after A.I.D.'s assistance project ends.</li> </ul> | <ul style="list-style-type: none"> <li>• Review of audits carried out by (or contracted for by) the CGR to determine the degree to which modern audit methods are being used.</li> <li>• Review of the internal control systems and related financial management practices of a sample of Honduran government agencies.</li> <li>• Interviews with staff from those agencies and from the CGR to ascertain role the CGR played in the system development/reform activities of these agencies.</li> <li>• Review of CGR budget projections and interview staff as well as users of CGR products and services concerning the CGR's capacity and intentions with regard to the future.</li> </ul> | <ul style="list-style-type: none"> <li>• High level government officials value sound financial management practices and expect public sector agencies to be accountable for appropriated funds.</li> </ul> |

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| NARRATIVE SUMMARY   | OBJECTIVELY VERIFIABLE INDICATORS   | MEANS OF VERIFICATION   | ASSUMPTIONS |
|---|---|---|-------------|
| <p>OUTPUTS:</p> <p>1. Objectives and Plans for Reform Developed for the CGR.</p> <p>2. Roles and Responsibilities of the CGR and other public sector financial management entities are clearly defined and well understood.</p> | <ul style="list-style-type: none"> <li>• Objectives for the organization defined and made known to the staff.</li> <li>• Plans for improving the efficiency and effectiveness of the CGR's budgeting procedures are developed and implemented.</li> <li>• Plans for improving the CGR's planning procedures are developed and implemented.</li> <li>• Plans for improving supervision within the CGR are developed and implemented.</li> <li>• Plans for improving the personnel management systems, including the development of job descriptions and performance review processes, are developed and utilized.</li> <li>• Selective recruitment procedures designed to upgrade the institution's human capacity are designed and used.</li> <li>• A system for ensuring the professional development of staff, including individual training plans, is developed and used.</li> <li>• Individuals in the CGR and in other public sector agencies can articulate the roles and responsibilities of the CGR and compare them to the roles and responsibilities of financial management entities in government agencies.</li> <li>• The CGR holds regular meetings with these financial management entities to share information and iron out any difficulties that arise.</li> <li>• Changes are made in 1957 law authorizing CGR permitting it to do modern style audits.</li> </ul> | <ul style="list-style-type: none"> <li>• Review of written statements of organizational objectives.</li> <li>• Interviews with staff concerning their knowledge of CGR objectives.</li> <li>• Review of plans and evidence concerning the implementation of plans for improving budgeting, planning, supervision and personnel systems in the CGR.</li> <li>• Review of recruitment procedures.</li> <li>• Review of professional development programs and procedures.</li> <li>• Interviews with CGR staff and with members of the financial management staffs of other public sector agencies.</li> <li>• Review of records of meetings.</li> </ul> |             |

| NARRATIVE SUMMARY   | OBJECTIVELY VERIFIABLE INDICATORS  | MEANS OF VERIFICATION | ASSUMPTIONS   |
|---|--|-----------------------|---|
| <p>3. CGR adopts generally-accepted government auditing standards (GAGAS) and improves its contract management and audit review capability.</p> | <ul style="list-style-type: none"> <li>• The CGR Department of Audit Planning, Organization and Systems (DAPOS) prepares and circulates policy statements that formally signal the adoption of GAGAS.</li> <li>• Methods and procedures applying GAGAS are developed and made available to staff and contracted auditors, e.g., a Government Auditing Manual for the Public Sector.</li> <li>• DAPOS staff serves as effective coordinator of CGR modernization efforts, e.g. establishes standards, sets up training activities, prepares annual audit plans and coordinates other related work.</li> <li>• CGR has copies of all audits, including external audits, on file.</li> <li>• Audit tracking system for recording and following up on the status of recommendations developed and in operation.</li> <li>• Procedures for assessing audit quality developed and used, e.g., reports on audit quality and the status of audit recommendations are provided regularly to the Honduran Congress.</li> </ul> |                       | <ul style="list-style-type: none"> <li>• The CGR establishes and staffs a new Audit Planning, Organization and Systems (DAPOS) Department.</li> </ul> |

| NARRATIVE SUMMARY   | OBJECTIVELY VERIFIABLE INDICATORS   | MEANS OF VERIFICATION | ASSUMPTIONS |
|---|---|-----------------------|-------------|
| <p>4. CGR staff trained in modern auditing techniques and a cadre of trainers teaching these practices to new staff has been developed.</p> | <ul style="list-style-type: none"> <li>• All CGR staff members complete modern audit methods training course.</li> <li>• Thirteen CGR staff members complete training of trainers course and a capacity to train others in modern auditing techniques.</li> <li>• Adequate supervision is provided for newly trained staff, e.g., their work on the first two-three audits undertaken after training is reviewed by a senior member of the CGR staff and by a modern methods trainer.</li> <li>• Individual professional development plans including plans for formal training exist for all CGR professional staff.</li> </ul> |                       |             |

| NARRATIVE SUMMARY   | OBJECTIVELY VERIFIABLE INDICATORS  | MEANS OF VERIFICATION | ASSUMPTIONS |
|---|--|-----------------------|-------------|
| <p>INPUTS:</p> <ol style="list-style-type: none"> <li>1. Technical assistance in establishing new objectives and plans for reforming the CGR's operating procedures.</li> <li>2. Technical assistance in defining the roles and responsibilities of the CGR and other public sector financial management entities, including the management of workshops and seminars for this purpose.</li> <li>3. Technical assistance in introducing generally accepted government auditing standards (GAGAS) and improved contracting and audit tracking procedures.</li> <li>4. Training for CGR staff and trainers, including budget all materials development for this training.</li> <li>5. Financial and evaluation reviews of the project.</li> </ol> | <ul style="list-style-type: none"> <li>• \$238,000 of the project budget.</li> <li>• \$10,000 of the project budget.</li> <li>• \$514,000 of the project budget.</li> <li>• \$168,000 of the project budget.</li> <li>• \$65,000 of the project budget.</li> </ul> |                       |             |

## **A.2 THE TRANSFORMATION OF INPUTS TO OUTPUTS**

### **A.2.1 Objectives and Plans for Reform Developed for CGR**

The first output under the project was to develop objectives and plans for reform including:

- a) improving the efficiency of CGR's internal administration including budgeting, planning, supervision, personnel and contracting of external auditors, and;
- b) identifying the means of upgrading institutional performance such as selective recruitment criteria and professional development.

To ascertain whether the objectives of the CGR were formalized and communicated to the staff, written policy statements were reviewed. The policy statements available consist of an organization chart (block diagram), and a policy/function statement. The statement is entitled "Objectives and Functions of the Controller General of Honduras" and is a 32-page document describing the responsibilities of the CGR under the law and the functions of the thirteen departments/offices in the organization. As of September 25, 1990, only the chapters of the statement dealing with the training and planning departments have been approved by the Controller. The objectives under which the CGR is operating are those delineated in the original 1957 law authorizing the CGR. These objectives are known to the CGR employees as they are taught in the auditing courses.

In connection with improving the budgeting and accounting procedures of the CGR, Price Waterhouse has prepared a 26-page accounting manual which includes a chart of accounts and a new accounting and budgeting system. A Honduran programming firm, Alan Mendoza, Computer Systems and Services has been contracted to program the accounting and budgeting systems as well as the following computerized systems:

1. Security
2. Employee exit processing
3. Accounting
4. Payroll
5. Budget
6. Fixed Assets

The systems should be finished and in use by the end of 1990. The computer systems will be used on sixteen networked microcomputers financed by AID.

To upgrade the personnel practices at the CGR, a 180-page Personnel Classification Manual was drafted. The manual contains position descriptions, specific duties, qualifications, and education and minimum experience required for each position. Also presented is a salary scale with a grade, minimum salary, in-grade increments, and a maximum salary for each position. The CGR has contracted with Fortin,

Lopez and Associates, the Honduran representative of Deloitte Haskins & Sells to review the Personnel Classification Manual. Their report is now being reviewed by the CGR to determine the final format of the manual.

Future recruitment for the CGR is to be carried out using the norms set out in the Personnel Classification Manual. In addition, candidates will be screened using the test already developed under the project that can predict a person's suitability for accounting/auditing.

Professional development at the CGR is carried out on a group rather than a personal basis. All professional employees have been given three courses: an introductory course, government accounting and government financial auditing. As further courses/seminars are developed, they will be announced and employees will have an opportunity to sign up. Final selection of course attendees will be made by the CGR management after considering CGR/employee needs.

Supervision is being improved within by using the Honduran Price Waterhouse affiliate to supervise six audit teams performing new-style audits. As more audit teams are formed from graduates of the two audit courses now in progress, the CGR plans to increase supervision by (1) having a one-week training course for supervisors in early October and (2) utilizing Price Waterhouse as well as two Honduran public accounting firms, Morales, Palo, Williams, and Medieto and Associates to supervise the newly formed audit teams.

To improve overall operational efficiency of the Controloria, approximately US\$120,000 was provided under the grant for providing commodities. Items purchased with grant funds were as follows:

- Binding machine
- Shredder
- 16 microcomputers with network hardware/software,  
application software, and printers
- 2 copiers
- Multilith machine

As of the report date, October 1990, all of the equipment was delivered and in use except the multilith and the microcomputer network.

The provision and use of these commodities enable the CGR to eliminate inefficiencies/bottlenecks due to old and insufficient office equipment. An example of an improvement in office operations is the preparation of audit reports which can be done in draft and revised easily on the word processing equipment and professionally reproduced. Before the commodities were supplied, the audit reports were typed on a manual typewriter and reproduced on a mimeograph machine, making corrections difficult and resulting in a poor report presentation due to the low quality of the copying equipment.

## THE TRANSFORMATION OF INPUTS INTO OUTPUTS

### A.2.2 Roles and Responsibilities of CGR

The second output of the project was a definition of the CGR and its relationship with other agencies responsible for financial management in the public sector specifically "to introduce the new audit methodology and to engender government support needed for changes to auditing practices and internal control systems."

The outputs produced under this heading were represented in part by the 44-hour course, Introduction to Government Administration and Finance, conducted for a group of 23 internal auditors from various government agencies. In addition, the Price Waterhouse team leader under the contract participated in seven seminars over a two-year period including one in November 1989 entitled "Application in the Public Sector of Honduras of Internal Auditing Standards by the American Institute of Internal Auditors."

The introduction of the new audit methodology is being handled by the CGR at the individual audit level. That is, the auditor in charge of a particular engagement will explain the purpose and objectives of the audit at the beginning of the audit. The feedback received from two of the first five audited organizations audited with the new audit techniques and reports was very favorable after introduction by the audit supervisor.

To engender government support needed for changes to auditing practices, CGR is trying to change the 1957 law under which it was formed. The proposed changes in the law are to orientate the law towards modern auditing and internal control. They contain a method for self-financing of the audit agency and orientate the CGR away from the preoccupation in searching for losses of state property. The suggested changes to the law have been reviewed by the CGR, a law financed by AID under the Price Waterhouse contract and two Honduran legal firms. The revision in the law is presently being revised by a third Honduran law firm. After incorporation of all the comments, it is planned that the law will be presented to the Honduran congress in 1991.

## THE TRANSFORMATION OF INPUTS INTO OUTPUTS

### A.2.3 CGR Adopts Generally Accepted Government Auditing Standards

The third output under the project was to establish a Department of Audit Planning, Organization and Systems (DAPOS) which would:

- 1) formulate and issue technical standards of government auditing and internal control;
- 2) develop and issue internal CGR standards and manuals describing the activities, responsibilities and functions of its various operating units and the procedures they carry out;
- 3) prepare and issue professional auditing manuals and guidelines for the CGR;
- 4) develop and promulgate a Government Auditing Manual for the Public Sector;
- 5) prepare an annual audit plan.

The CGR has set up a Department of Audit Planning, Organization and Systems comprised of two persons and assisted by two Price Waterhouse team members financed by AID. Standards and guidance generated by the department include:

- 1) Generally Accepted Government Auditing Standards for Honduras (GAGAS of Honduras, 19 pages)
- 2) Concepts of Internal Control (5 pages)
- 3) Qualifications of Government Auditors (7 pages)
- 4) Field Work Standards for Government Auditing (10 pages)
- 5) Reporting Standards (11 Pages)
- 6) Guide to Structure and Format of Government Audit Reports (21 pages)
- 7) Guide for Audit Supervisors (21 pages)
- 8) Government Auditor Code of Ethics (2 pages)
- 9) Work Papers (27 pages)
- 10) Government Auditing Techniques (13 pages)
- 11) Government Audit Personnel (10 pages)

- 12) Audit Findings (11 pages)
- 13) Audit Programs (17 pages)
- 14) Employee Accounts Receivable (2 pages)
- 15) Internal Control Standards (28 pages)

The Generally Accepted Government Auditing Standards for Honduras were reviewed and compared with the GAO's Government Auditing Standards, The Latinamerican Institute of Auditors Latinamerican Professional Auditing Manual for the Public Sector and the International Organization of Auditing Institution's standards. The GAGAS of Honduras contains chapters on general standards, personnel standards, field work standards, and reporting standards. Compared to the GAO Government Auditing Standards, the GAGAS of Honduras did not contain any standards on performance audits, economy and efficiency audits or program audits. As the CGR is presently not performing any performance audits and doesn't have sufficient personnel to do so, the non-inclusion of a section on performance audits doesn't present any problems. Overall, the GAGAS of Honduras is professionally done and comparable to the GAO standards and other standards.

The standards are presently being reviewed by a Honduran public accounting firm, Tovar, Lopez and Associates, to get its opinion on the quality and technical content of the standards as well as their applicability in the Honduran context. After resolution of the comments by Tovar, Lopez and Associates, the Controller will issue the final auditing standards and auditing manual which can be approved internally by the CGR. Issuance of the approved documents is expected by the end of the year.

The draft standards, guides and norms have been distributed to all persons who have completed the Government Financial Auditing course and are in informal use (due to their lack of formal approval). As additional audit teams are formed from the two audit courses now in session (63 auditors), they will use the GAGAS of Honduras in their audits, albeit on an informal basis, until formal approval. Six auditors who completed the early audit courses were interviewed to ascertain their knowledge and application of the standards. All said that they had the standards and were using them.

To date, DAPOS, with the assistance of the Price Waterhouse team, has been very effective in the CGR modernization efforts. It has drafted the auditing standards and guides, personnel classification manual, policy/function statements and has trained virtually all of CGR audit staff with course material it has developed. DAPOS also prepares the annual audit plan for CGR.

After the completion of audits and the formal acceptance of the recommendations by the audited entity, the two types of findings /recommendations are followed up in different manners. Findings for audits of Honduran entities consist of findings such as internal control deficiencies and "reparos" or employee accounts receivables due to loss/misuse/theft of government property. Presently employee accounts receivable are followed up by another Honduran government agency. Other audit findings are presently followed up on by the audited agency and the CGR in the following year's audit. CGR has a plan to have the internal audit department of the audited organization follow up on the audit recommendations. This has not yet been implemented and no formal follow up of recommendations is now in place.

#### A.2.4 Training of CGR Auditors

The fourth output of the project was to:

1. Train CGR personnel
2. Conduct training of trainers
3. Develop training materials

As of September 30, 1990, the three main courses that were given at the CGR were as follows:

| <u>Course</u>  | <u>Trainees</u> |              | <u>Hours</u> |
|--|-----------------|--------------|--------------|
|  | <u>Total</u>    | <u>Women</u> |              |
| 1. Introduction to Government Administration and Finance | 212             | 85           | 44           |
| 2. Governmental Accounting                               | 184             | 69           | 280          |
| 3. Governmental Financial Auditing                       | 141             | 57           | 280          |

The number of persons trained in the four-month training courses represents virtually all the professional personnel of the CGR. The reviewer attended one of the two Governmental Financial Auditing courses taught by one of the CGR teachers and found only one person out of 34 absent, and the class lively with class participation. Course materials were professionally prepared and orientated toward practical aspects of auditing. All of the persons interviewed, from the Controller of the CGR to persons who took the course, said that the lack of auditor training was the number one problem at the CGR before the project. Auditors who had worked at the CGR from 5 to 30 years all praised the course and said that they learned a lot in the course and that they were more proficient because of the course, more confident, and that the standards and techniques presented enabled the quality of their work to dramatically improve.

An output not contemplated by the project was the formation of a training center referred to as The Government Auditors Professional Training Center consisting of two classrooms, an office for trainers staffed by two CGR trainers. The training center designed a course entitled, "Introduction to Data Processing, Word Processors, and Electronic Spread Sheets," without any project technical assistance and delivered it to eleven CGR personnel. The training center developed all the training materials for the courses given to date.

The output of trained trainers was achieved with a 35-hour course given to a select group of 14 CGR employees on September 11-14, 1989. Two of the CGR personnel who participated in the course now function as teachers with other attendees of the course functioning as temporary teachers. Since the institution only needs two teachers, having all the

attendees function as teachers would be disruptive to their normal audit duties.

Presently, six audit teams are supervised by Price Waterhouse technical assistance audit personnel. When the approximately 63 auditors now in the two last Governmental Financial Auditing courses are finished, the Controloria plans to conduct a one-week auditor supervision course for selected students and utilize them as supervisors. Furthermore, the CGR has plans to hire two Honduran public accounting firms in addition to Price Waterhouse to supervise or provide quality control to the final audit reports.

Individual development plans for CGR staff do not exist. Instead, new employees are to be given the three preliminary courses developed under the project. In regard to ongoing training/ professional development for CGR staff, training will be provided by ongoing courses and seminars at the Government Auditors Professional Training Center. Proposed subjects include audit supervision, audit report preparation, human relations, motivation, and technical writing. Notices for upcoming training opportunities are posted and interested employees sign up. CGR management will then select persons to attend courses based on personal/CGR needs.

### A.3 ACHIEVEMENT AT THE PURPOSE LEVEL

As stated in the grant agreement, the purpose of the grant was to "strengthen the Controller General of the Republic to apply modern audit techniques and assist other government entities to implement internal control systems and related financial management practices." The related End of Project Status Indicators are as follows:

- a. Financial and/or performance audits are routinely carried out by the CGR as opposed to older-style expenditure audits.
- b. Public sector agencies in Honduras are improving internal control systems and related financial management practices.
- c. The CGR has the financial, technical, and managerial capacity, and the interest and will to sustain the use of modern audit methods and train new staff in their use after AID's assistance ends.

As of September 30, 1990, five financial audits using the new methodology were carried out as outlined in the chart on the following page:

| Name of Organization<br><u>Type of Entity</u>   | <u>Period Audited</u>                 | <u>Type of Audit</u>  |
|---|---------------------------------------|---|
| 1) Banco Nacional de Desarrollo Nacional (BANADESA) U.S.\$120 million agricultural development bank.                                  | January 1, 1988-<br>December 31, 1989 | Financial Related Audit of Loan Portfolio with Internal Control Review of Loan Origination, Maintenance, and collection procedures. |
| 2) Banco Nacional de Suplidora Nacional de Productos Basicas (BANASUPRO) U.S.\$1 million agency to supply basic food to need persons. | January 1, 1989-<br>December 31, 1989 | Financial Statement Audit with opinion and findings and recommendations on internal control and compliance opinion.                 |
| 3) Instituto Nacional de Jubilaciones y Pensiones (INUJUPEMP) US\$100 million credit union for government employees.                  | January 1, 1989-<br>December 31, 1989 | Financial Statement Audit with opinion and findings and recommendations on internal control and compliance opinion.                 |
| 4) Instituto Nacional de Formacion Profesional (INFOP) US\$3.5 million government technical training institute.                       | January 1, 1989-<br>December 31, 1989 | Financial Statement Audit with opinion and findings and recommendation on internal control and compliance opinion.                  |
| 5) Proyecto de Mejoramiento del Pequeno Agricultor (CALIFULTOR) US\$60 million project to aid small farmers.                          | January 1, 1988-<br>December 31, 1989 | Financial Related Audit with opinion and findings on internal control and opinion and findings on compliance.                       |

As shown on the previous page, the audits performed to date with the new methodology were either financial statement audits or financial related audits, not performance audits. Financial statement audits determine (1) whether the financial statements of an audited entity present fairly the financial position, results of operations, and cash flows or changes in financial position with generally accepted accounting principles and (2) whether the entity has complied with laws and regulations for those transactions and events that may have a material effect on the financial statements. Financial related audits include determining (1) whether financial reports and related items such as elements, accounts for funds are fairly presented, (2) whether financial information is presented with established or stated criteria (3) whether the entity has adhered to specific financial compliance requirements.

Of the five new style reports issued, three, BANASUPRO, INJUPEMEP, and INFOP had prior period old-style reports with which a comparison could be made between the new and old style reports. The old style reports were an analysis of specific accounts such as cash in banks, revenue, and various expense accounts. Employee receivables due to asset loss/misuse/theft (usually on untimely issued reports with a lot of minor receivables) made up a large portion of the old style reports (as much as half the report of some reports). Some of the reports contained financial statements with no set format and some contained unfocused recommendations without a basis or reason for the recommendations. The report quality varied considerably depending on the audit department (the CGR has four audit departments), institution being audited and team that performed the audit(lack of quality control).

Basically, the old-style audit reports lacked focus, presented too much detail on various accounts and employee receivables, and presented recommendations without focus or substantiation. In contrast, the new style audit reports present financial statements, or financial reports if a financial related audit, with the auditor's opinion whether the financial statements were presented in accordance with generally accepted accounting principals. Furthermore, the new style audit reports contained an expanded section on internal control with an opinion and specific findings and recommendations. Also presented is a report and opinion on compliance with applicable laws and regulations. In addition, the reports contain material required by Honduran law/custom such as the names of the officers of the audited organization and a list of employee account receivables.

The new style audit reports are an improvement over the old style reports because they present summarized financial statements enabling management to get an overall financial view of an organization and its capital structure at the end of a period. In addition, the new style reports place considerable emphasis on internal control with the findings/recommendations presented in a condition, criteria, cause, effect, recommendation format. Furthermore, the new style reports

contain a section on compliance with applicable laws and regulations providing management with this additional information. Thus the new style reports contain summarized financial statements and future orientated internal control recommendations for improvements.

In contrast, the old style audit reports contain, at times, financial statements in various formats and much detail and schedules on various account balances. In the format the statements reports were presented it was difficult for management to ascertain the overall financial performance/status of the entity. Also presented in the old style reports were findings/recommendations directed at certain officials of the organization, i.e. head of administration. Since the recommendations didn't present the facts or background and criteria by which the findings were being judged, the findings were less credible and less likely to be accepted by the entity being audited. Furthermore, old style audit reports contained long lists of employee account receivables due to asset loss/misuse/theft. Since many of the amounts were not material and since the reports usually were issued late (one report for the period September 1979 to February 1986 was issued in July 1988), many of the accounts were uncollectible. In summary, the old style reports were made up of disaggregated financial information and historic lists of employee accounts receivables with unfocused, unsubstantiated recommendations.

The five original audit reports issued were excellent in terms of content and presentation. Especially well done and pertinent to the Honduran situation is the expanded internal control section, which should be of use to audited Honduran agencies in improving and upgrading their internal control systems.

Since the new style audit reports present an expanded internal control review with findings and recommendations, improvements in internal control systems of public sector agencies in Honduras should be effected if the internal control recommendations in the audit reports are implemented. As the initial five audit reports were being distributed as this review was being done, it was too early to expect to see the results in the audited public sector agencies. However, to get a sense of the acceptability of the internal control recommendation in the audit reports by the audited agencies, two of the audited agencies were visited INJUPEMP and INFOP. Officials at both institutions noticed an increase in quality, speed, and pertinence of the audit recommendations between prior years reports completed done this year after the auditor training.

In conclusion, it appears that the project has met the end of project status by being able to carry out audits using modern auditing techniques. Although it is too early to expect to see improvement in internal control systems in Honduran public sector agencies since the initial five new style audit reports were just recently issued, the initial audited organizations indicated a strong interest and desire to comply with the internal control recommendations.

#### A.4 ACHIEVEMENT AT THE GOAL LEVEL

The goal of the project was that the Public Sector of Honduras manages funds efficiently in a fully accountable manner. The degree to which this project achieves the goal will depend on public officials attitude and leadership, the Honduran legal system, the effectiveness of other Honduran financial management and control entities<sup>1</sup> and policies adopted by public officials regarding financial management in the public sector. While it is too early to determine the impact the project will have on Honduran public sector financial management, the receptivity of management of two of the public agencies which had the new style audits performed on them was encouraging. Furthermore, with the internal control section of the audit reports, in future years the record of agencies complying with the internal control recommendations in the audit reports should provide a good measure of the importance the management of audited agencies place of importance of good internal control and hence effective financial management of public funds.

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<sup>1</sup> Other Honduran financial management/control agencies are the Secretariat of Planning Coordination and Budgeting, the General Treasury of the Republic, General Accounting Office of the Republic, General Supply Office of the Republic, Directorate of Public Credit, National Computer Center, Attorney General's Office, and the General Directorate of Municipal Advice and Technical Assistance.

## **B.1 KEY FINDINGS**

Overall, the project fully generated the outputs and achieved the purpose as envisioned by the grant agreement even though implementation of some items is behind schedule due to the late start of the long-term technical assistance contract. The performance thus far of the long-term technical assistance team has been outstanding as measured by the quality and quantity of documents (norms, guides, standards) produced and the effective training courses conducted as measured by the student, management, and client comments regarding the training. The accomplishments of the long-term technical assistance team are all the more remarkable if one takes into consideration that the chief of party as of September 1990 was in Honduras for only fifteen months and the training consultant for nine months. Mission monitoring and direction contributed to the project success as did the personal and professional interest by the Controller and Sub-Controller which has not been matched to date by an monetary increase of support by the Honduran government. Future interest and support of the Honduran government will be demonstrated by the passage of changes to the law to enable the CGR to operate more effectively and an increase in the CGR budget allocations and/or approval of a system to enable the CGR to be self financing.

The overall implementation constraint for the project was the delayed start of the long-term technical assistance which postponed the finishing of some outputs and hence the project assistance completion date until December 1990.

Specific key findings are keyed to the four input/output pairs and are presented below:

### **B-A.2.1 Objectives and plans for Reform**

The objectives and plans for reform of the CGR have been made. The documents necessary for reform including an organization chart, policy/function statement, and personnel classification must be formally accepted by the CGR. The apparent late completion of these documents is due to the fact that even though the project was signed in August 1988 the first long-term project assistance did not arrive until July 1989. Implementation is proceeding smoothly and no constraints were found in implementing this project element.

### **B-A.2.2 Roles and Responsibilities of the CGR**

One course was given to internal auditors of other public agencies, seven seminars were participated in, and draft changes in the law were completed under this project element. Although the input for this element of the project represented only one percent of project funds, the changes in the law is the most important output after auditor training. Implementation constraints to the change of law regulating the CGR are not known at the present time since the changes haven't been formally presented to the Honduran Congress.

### **B-A.2.3 CGR Adopts Generally Accepted Auditing Standards**

Under the third output, the Department of Audit Planning, Organization, and Systems was formed and the Generally Accepted Auditing Standards of Honduras were completed and are being reviewed by a public accounting firm. Additionally 60% of the auditing manual is completed and is in revision with the balance to be completed before the end of 1990. Although the submission to the GAGAS of Honduras and the Audit Manual are behind the schedule originally in the grant agreement, both should be issued before the long-term technical assistance ends at the end of 1990. Again, the later than expected termination of the project outputs is due to the late start of the long-term technical assistance. No other implementation problems were encountered.

### **B-A.2.4 Training of CGR Auditors**

A total of 3,432 hours of training was provided amounting to 604 hours for each of the CGR auditors. A thirty-five-hour course on training was given to selected students to train CGR personnel in training methods. This output was included in the project to assess the number-one problem of the CGR, which was lack of trained staff. Positive feedback was received from all who had contact with the trainees, namely students, management of CGR, and CGR clients. It would be almost impossible to improve on the quality and quantity of training given with the modest resources provided under the project. An unplanned output of the project was the formation and operation of a training center which has already conducted one course. No real implementation problems existed with this element of the project.

## **B.2 Conclusions and Recommendations**

As in the case of findings in the previous section, the conclusions and recommendations are keyed to the four input/ output pairs in the project.

1.1 AID should follow up on the formal acceptance and use of the Personnel Classification Manual.

While the outputs produced by the project achieved what was anticipated by the project for this element, the Personnel Classification Manual has not been formally accepted by the CGR. With the manual and computerized administrative systems in place, the CGR should be at a level where it needs no further assistance for modernization in this area.

1.2 CGR should reorganize its audit departments with an approximate equal number of auditors in each department.

Presently, the CGR organization has four audit departments, Municipal Entities, Central Government, Government Establishments, and Judicial with widely different workloads and numbers of auditors in each department. To improve supervision and control the CGR should reorganize the departments with similar numbers of auditors in each department.

1.3 CGR should complete staffing of the Department of Audit Planning, Organization, and Systems (DAPOS), and the Government Auditors Professional Training Center (CEFAG).

While both DAPOS and CEFAG are staffed and functioning at the present time, part of the staffing consists of personnel provided under the Price Waterhouse technical assistance contract who are scheduled to leave at the end of 1990. Staffing in accordance with the Personnel Classification Manual would ensure continued operation and continuity of services from the departments after the end of AID financed technical assistance.

2.1 AID should follow up on and motivate and assist the CGR to have the proposed changes in the law regulating the CGR be made into law.

While the project generated all but a few minor outputs, permanent change for the CGR will only be guaranteed by changes in the Honduran law governing the CGR. Any support, political or otherwise, that AID can give to the passage of the proposed changes of the law into law will help to ensure that the long term achievement of the project purpose is maintained.

2.2 AID should fund additional courses/seminars for other Honduran government finance/accounting officials.

This second output of the project was achieved with the seminars given and draft changes in the law. However, as the CGR now represents an institution with higher standards itself, 1991 would be the opportune time to use the momentum gained by the CGR upgrade to improve administration/accounting/internal control of audited agencies. CGR is now able, with outside supervision, to do in-depth internal control reviews on the entities that it has a legal right to audit. CGR audits could be reinforced by training courses/seminars of the audited entities internal control staff and their officers including mayors of municipal units. Furthermore, since the CGR appoints the head internal auditors for the approximately 25 semi-governmental agencies (many of which are the larger Honduran entities) these appointees should be carefully reviewed and given courses/seminars if necessary.

3.1 AID should follow up on the acceptance and use of the Generally Accepted Auditing Standards of Honduras and Auditing Manual.

Although the GAGAS of Honduras have been completed, and are being used and are in review by a Honduran public accounting firm, they haven't been formally accepted by the CGR. The Auditing Manual is approximately 60% complete and will be complete by the end of 1991. To insure permanent change and use of the materials, CGR should formally accept the draft GAGAS of Honduras and Auditing Manual with appropriate changes as soon as possible.

3.2 AID should provide funding for the continuation of quality-control activities after the long-term technical assistance contract has ended.

Presently, the chief of party under the long-term technical assistance contract is performing quality-control activities for the new style audit reports.

3.3 CGR should prepare and implement a formal method of follow up for audit findings/recommendations.

Of the two public institutions visited for which the new style audits were performed, in one case the director himself was going to follow up on audit recommendations and in the other case the president was going to appoint a commission for finding/recommendation follow up. The CGR is considering a follow-up system whereby the internal auditor of respective agencies will follow up and report results to the CGR. However, a formal system is not presently in place and one should be implemented as soon as possible.

4.1 AID should provide funding for further training of CGR auditors.

Although extensive basic accounting/audit training has been provided to all CGR auditors and has been a complete success (as measured by quality of audit reports produced and student, management and client comments), additional training courses/seminars in areas such as computer auditing, human relations, technical writing, and report preparation would be very useful in sharpening and perfecting the skills already learned.

4.2 AID should provide funding for supervision for 1991 for CGR Auditors.

To ensure that the theory and practice principals that the auditors have learned are put into practice, AID should provide funds to the CGR to contract public accounting firms to supervise newly trained audit teams in 1991. Supervision will be necessary for the teams until they have completed a number of audits in practice and are sure of themselves.

4.3 In the long term, AID should consider funding the extension of the GAGAS of Honduras to include performance auditing if the CGR can increase its budget resources at its disposal through an increase in budget allotment or by charging its clients for services.

At the end of the project, the competence of the CGR auditors has been raised from a level where they were able to conduct old style account audits to a level, with additional supervision and quality control in 1991, where it can perform modern style financial audits, both financial statement audits and financial related audits. With the personnel that the CGR has (approximately 230) and its assigned audit workload (approximately 1300 entities), the CGR can only audit 15 to 20 percent of the entities it is responsible for auditing with its limited resources. Introducing performance auditing to the CGR at this time would overtax its limited resources. When the CGR can increase its budget, either by an increase in its budget allotment or one of the two methods now being studied (charging the audited entities for the audits performed including a percentage budget set aside from the audited entity to the CGR or charging for actual services performed) then AID should provide funds for a performance audit implementation project. Extending the authority of the CGR to conduct performance audits would also require political support from the audited entities. It is expected that support will be forthcoming as the audited entities discover the increased usefulness/value of the new style audit reports-- especially the expanded internal control section.

### B.3 SUSTAINABILITY OF THE PROJECT EFFORT

The review attempted to ascertain whether the CGR has the financial, technical, managerial ability and the interest and will to sustain the use of modern audit methods and train new staff in their use after AID's assistance ends. First of all, virtually the entire audit staff of the CGR's 140 auditors were given an extensive four-month course on accounting, government accounting, and government financial auditing. Taking into consideration the difficult situation in Honduras and the resulting low turnover at the CGR, these trained auditors should be with the CGR for many years. It would be very unlikely for the new Controller to be able to untrain the 140 trained auditors. Furthermore, the Controller and Sub-Controller are expected to be with the CGR for the 1.25 years remaining on their five-year terms and will continue to institutionalize the new audit techniques/reports until January 1992.

Since the Controller and Sub-Controller are political appointees with five-year terms, their replacement political appointees will determine the future long-term interest in the project purpose and goal. Certainly positive feedback and support from audited entities such as that received from INFOP and INJUPEMP, as described in a previous section, encourage the 1992 appointed Controller and Sub-Controller to continue with the new audit techniques.

The CGR budget for the years 1985 through 1990 has been presented below with the projected 1991 budget.

#### CGR Yearly Budget in Lempiras

| <u>Year</u>      | <u>Budget Amount</u><br><u>(millions of Lempiras)</u> |
|------------------|---|
| 1985             | 3.6   |
| 1986             | 3.8   |
| 1987             | 3.7   |
| 1988             | 3.8   |
| 1989             | 3.8   |
| 1990             | 3.8   |
| 1991 (projected) | 4.0   |

As can be seen, the CGR's budget has been stagnant (declining in real terms) for the past six years. Due to the austerity program by the government of Honduras, it is unlikely that the CGR will receive any additional funding for 1991. However as reported to the evaluator by several audit managers, the efficiency of the newly trained auditors is much improved as compared to that before the training. Therefore, significant productivity gains should be realized as managers don't continually have to explain the audit program, workpaper content, etc. to the staff auditors. Additionally, if the proposed changes in the law governing CGR operations take place in 1992, additional efficiencies will be affected in the functioning of the Controloria by eliminating

certain time-consuming, legally dictated processes -- thereby further boosting CGR productivity. Hence, even with no additional resources for 1991, additional audit services should be provided through improved productivity and the CGR should be able to continue to have resources to continue with new style audits and training of staff on the same scale as 1990.

The weakness of sustainability of the project that presently exists is the medium-term lack of supervision for newly trained auditors. The new audit methodology has recently been introduced and fully half of the auditors will graduate from the last two audit courses in the fourth quarter of 1990. Since the newly trained auditors will need extra supervision during their first several audits, the CGR may be taxed to supervise such a large number of newly trained auditor in new techniques all at once.

Regarding training, the CGR has set up a center for the training for government auditors. It consists of two classrooms and an office and is staffed with two persons. After project completion, it intends to conduct ongoing seminars on topics such as human relations and report writing. It also intends to give the three basic accounting/auditing courses to new employees. With the low level of funding needed to keep the center open after the project ends it should be able to continue without further AID support.

#### B.4 RELATION TO THE CORRUPTION/ACCOUNTABILITY PROJECT

The corruption accountability concept paper envisions selecting two countries, Panama and another to demonstrate pilot projects to develop and refine its strategy. The paper stated that LAC/RFMID is currently assisting the Controller General of Panama in its restructuring and modernization of its financial management system and **creation** of a new office to the Auditor General. As reported in this review Honduras is completing a two-year project to **upgrade** its existing Controller General. Although the upgrading of the Controller General of the Republic can be viewed as a successful project in itself, complementary projects undertaken in the public financial management sector would increase its effectiveness in achieving the project goal of better management of Honduran public sector funds. Honduras has a number of public sector agencies which participate in the functioning of the public sector financial management including the following:

- Secretariat of Planning, Coordination and Budgeting
- General Directorate of Budget
- General Treasury of the Republic
- General Accounting Office of the Republic
- General Supply Office of the Republic
- Directorate of Public Credit
- National Computer Center
- Attorney General's Office
- General Directorate of Municipal Advice and Technical Assistance

All of these institutions have been reviewed in the Price Waterhouse 1987 diagnostic survey entitled "Summary Report on the Present Situation on the Office of the Controller General of the Republic of Honduras" and found to have various institutional weaknesses. Principal among the deficiencies were the lack of detail/definition in the Honduran law authorizing the entity and untrained staff.

Since the proposed project is a pilot project, it is envisioned that LAC/RFMP will want to focus some projects in areas other than the Controller General operations and modernization of public financial management systems already in progress. Honduras would be a good candidate to participate in the pilot program because it has functioning agencies in other public financial management areas, as listed above, which could be 1) upgraded rapidly, i.e., the effects could be seen rapidly, and 2) would reinforce the corruption/accountability activities already undertaken as represented by the Assistance to the Controller General of the Republic Project.

## SECTION C: LESSONS LEARNED

The lessons learned from the project are as follows:

1) That the CGR could be upgraded to perform modern style audits with modest amounts of technical assistance and the support of a receptive management.

The upgrading of the CGR was accomplished with approximately 33 person-months of technical assistance and enthusiastic CGR management involvement in the project.

2) It appears that auditor training will result in a measurable increase in the productivity of the CGR auditors so that the CGR can provide more audit services as well as a higher quality of service as a result of the grant.

Comments from both the auditors themselves and the managers of audited entities noted an increase in speed with which the latest audits were done. Reasons for the increase in productivity include better audit planning, standardized workpapers, and the use of audit samples rather than the review of all documents/ transactions. Even a realistic increase in productivity of 10 to 20 percent would enable the CGR audit staff of 151 to conduct significantly more audits.

3) Initial training activities must be followed up with increased supervision and quality control activities to reinforce material learned in the training courses.

From the early graduates from the Government Financial Auditing courses it was learned that to fully solidify and put into practice the new style audit techniques, that increased supervision and quality control services were necessary.

## SECTION D: METHODOLOGY

The methodology in carrying out the review consisted of reviewing the extensive documentation, interviewing management and auditors of the CGR, USAID/Tegucigalpa staff, long-term technical assistance staff, and management on which new style audits were performed.

The specific methodologies for specific sections of the report are listed below:

### A.1 Project Objectives

1. Review AID files
2. Read Grant Agreement
3. Review Price Waterhouse diagnostic survey of CGR dated May 7, 1987

### A.2 The Transformation of Inputs to Outputs

#### A.2.1 Objectives and Plans for Reform Developed for CGR

1. Review CGR Organization Chart
2. Read CGR Policy/Function Statement
3. Review contracts for programming of CGR computer systems
4. Review Personnel Classification Manual
5. Discuss implementation schedule for formal acceptance and use of Organization Chart, Policy/Function Statement, and Personnel Classification Manual with Sub-Controller
6. Review staffing of CGR with the CGR Manager of Administration
7. Discuss implementation of computer systems with chief of data processing

#### A.2.2 Roles and Responsibilities of CGR

1. Review documentation concerning course given to internal auditors
2. Interview six CGR auditors who are performing new style audits at government entities
3. Review draft changes in the law governing the CGR
4. Discuss draft changes in the law with the Controller and Price Waterhouse chief of party
5. Review documentation on seven accounting seminars participated in by the Price Waterhouse chief of party

### A.2.3 CGR Adopts Generally Accepted Auditing Standards

1. Review draft Generally Accepted Government Auditing Standards of Honduras
2. Review sections of Draft Auditing Manual completed
3. Review GAO Government Accounting Standards
4. Review Auditing Standards of the International Organization of Auditing Institutions
5. Interview six CGR auditors regarding knowledge and use of GAGAS of Honduras
6. Discuss official approval and use of GAGAS of Honduras and the Audit Manual with Sub-Controller, DAPOS chief and Price Waterhouse chief of party
7. Discuss audit planning with DAPOS chief
8. Discuss audit findings/recommendation follow up with management of two audited entities and Sub-Controller, and Price Waterhouse chief of party

### A.2.4 Training of CGR Auditors

1. Review training records for 20 courses given and in progress
2. Monitor two training courses in progress
3. Review and discuss training materials, objectives, format with Price Waterhouse training consultant
4. Interview six CGR auditors who have completed training courses of the effects/usefulness of training courses
5. Review student evaluations of courses
6. Discuss training with Controller, Sub-Controller, Price Waterhouse chief of party and instructors
7. Discuss performance of trained auditors with management of two Honduran entities audited by CGR
8. Discuss future training requirements with Sub-Controller, DAPOS chief, Price Waterhouse chief of party and training consultant
9. Discuss professional development plans with Sub-Controller

### A.3 Achievement at the Purpose Level

1. Review five completed new style audit reports for content, format, emphasis, and quality
2. Review three old style audit reports of entities for which new style audit reports were performed and compare new and old style audit reports
3. Interview management of two entities for which new style audits were performed

### A.4 Achievement at the Goal Level

1. Interview management of two entities for which new style audits were performed

### B.3 Sustainability of the Project Effort

1. Discuss CGR budget with Sub-Controller
2. Review Fortin Lagos & Associates report on methods for achieving self sufficiency
3. Review Price Waterhouse diagnostic survey concerning self financing mechanisms for CGR

### B.4 Relation to the Corruption/Accountability Project

1. Review Corruption/Accountability concept paper

## PERSONS CONTACTED

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1. Summary of Report on the Present Situation on the Office of the Controller General of the Republic of Honduras, Price Waterhouse, May 7, 1987.
2. Program for the Strengthening and Modernizing the Controller General of the Republic of Honduras, Price Waterhouse, July 28, 1989.
3. Report on the Work Under Project No. 522-03318 for the Strengthening and Modernization of the Controller General of the Republic of Honduras for the period July 18, 1989-October 18, 1989, Price Waterhouse, October 18, 1989.
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6. Report on the Work Under Project No. 522-03318 for the Strengthening and Modernization of the Controller General of the Republic of Honduras for the period April 20, 1990-July 31, 1990, Price Waterhouse, August 1, 1990.
7. Report on the Work Under Project No. 522-03318 for the Strengthening and Modernization of the Controller General of the Republic of Honduras for the period August 1, 1990-August 31, 1990, Price Waterhouse, September 3, 1990.
8. Grant Project Agreement Between AID and the Government of Honduras - Assistance to Controller General of the Republic August 24, 1988.
9. Revised Organization Diagram of the CGR, Price Waterhouse, April 26, 1990
10. Function/Policy Statement for the CGR, Price Waterhouse, April 26, 1990
11. Personnel Classification Manual, Price Waterhouse, July 4, 1990.
12. Generally Accepted Auditing Standards for the Public Sector for the Republic of Honduras, Price Waterhouse, September 17, 1990.

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15. Field Work Standards for Government Auditing, Price Waterhouse, 1990.
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17. Guide to the Structure and Format of Government Audit Reports, Price Waterhouse, September 17, 1990.
18. Guide for Audit Supervisors, Price Waterhouse, May 15, 1990.
19. Government Auditor Code of Ethics, Price Waterhouse, July 4, 1990.
20. Work Papers, Price Waterhouse, March 1990.
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