

3052/20
Brasília, April 30th, 2020.

To
UNDP Brazil

Ref.: Executive summary

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement (FUS), hereinafter, collectively referred to as "Financial Information" of the UNDP Project ID 00097577, Fortalecimento da Capacidade Institucional do Sistema Nacional de Acesso e Repartição de Benefícios according to Nagoia Protocol as stated in PRODOC, expressed in US Dollar for the period from April 24th, 2018 to December 31st, 2019.

The Company's Management agrees with all the points of recommendation proposed here, for which it will maintain a plan with constant actions to improve its internal procedures.

Right after each point of recommendation, Management Comments were inserted, in line with the recommendation, and when applicable, a plan with constant actions to improve its internal procedures.

We take this opportunity to thank the collaboration received from the internal team during the execution of our work and we are at your disposal for any further clarifications.

Sincerely,



Fabiano de Oliveira Barbosa



UNDP Brazil

Executive summary

Executive summary

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1. Introduction

1.1. Purpose of work

As part of our audit of the Financial Information for the period from April 24th, 2018 to December 31st, 2019 carried out in accordance with Brazilian and international auditing standards, from the UNDP Project ID 00097577, Fortalecimento da Capacidade Institucional do Sistema Nacional de Acesso e Repartição de Benefícios according to Nagoia Protocol as stated in PRODOC, expressed in US Dollar, we obtained an understanding of the internal controls that we consider relevant to the process auditing, in order to identify and assess risks of material misstatement in referred Financial Information and to determine the timing, nature and extent of our audit examinations.

1.2. Methodology

We assess the relevant internal controls to the extent necessary to plan the audit procedures that we deem appropriate in the circumstances to issue an opinion on the financial information and not to express an opinion on the effectiveness of internal controls. Thus, we do not express an opinion or conclusion on the UNDP Brazil internal controls.

The Company's management is responsible for the internal controls determined by it to be necessary to allow the preparation of financial information free of material misstatement, regardless of whether caused by fraud or error. In compliance with this responsibility, Management made estimates and made decisions to determine the costs and corresponding benefits expected from the implementation of internal control procedures.

In compliance with the international audit standard ISA 265 - Communication of Deficiencies in Internal Control, in the process of assessing risks of material misstatement in the financial statements and during the audit process, we identified deficiencies in internal controls, for which corrective measures should be considered. The Company's management is responsible for assessing deficiencies and taking corrective measures.

It should be noted that the matters reported did not represent risks of material misstatements for the individual and consolidated financial statements for the year ended December 31, 2019 and did not affect our opinion issued in the audit report dated April 30th, 2020.

2. Deficiencies in Internal Control

2.1. Absence of a specific bank account

Observation

The Financial Information presented by the Management team did not presented the cash balance as of December 31st, 2019. The audit firm is required to express an opinion on the Statement of Cash only where a dedicated bank account for the DIM project has been established. In cases where the cash transactions of the audited DIM project are made through the country office bank accounts, this type of opinion is not required. Thus, the balance was not presented to us and consequently was not audited. Despite the UNDP policies allowing maintain the cash of the project together with financial resources from another projects, we understand that maintaining project-specific accounts will bring greater clarity and security for project financial management.

Priority

Low. Since it is not required by the program, the action is considered desirable and should result in enhanced control or better value for money.

Recommendation

We recommend that bank accounts be segregated between projects in order to have greater independence of information and resource management.

Management comments and action plan

According to UNDP Financial Rules, country offices are authorized by the UNDP Treasurer to have two bank accounts: a local currency account which could be convertible or non-convertible and one external convertible currency account, (e.g., US Dollars or Euros Zero Balance Accounts). Although in some cases the Treasurer has authorized exceptions, it was not required in this agreement to open a dedicated account for the project, hence UNDP will maintain the current financial arrangements.

UNDP Brazil

REPORT OF THE INDEPENDENT AUDITORS
TO UNDP [JOF-1553/2019]

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To
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Brasília - DF

We have audited the accompanying Combined Delivery Report (CDR) and Funds Utilization Statement (FUS), hereinafter, collectively referred to as "Financial Information" of the UNDP Project ID 00097577, Fortalecimento da Capacidade Institucional do Sistema Nacional de Acesso e Repartição de Benefícios according to Nagoia Protocol as stated in PRODOC, expressed in US Dollar for the period from April 24th, 2018 to December 31st, 2019.

Opinion

In our opinion, the attached CDR and FUS present fairly, in all material respects, the expenses of US\$ 550,420.73 directly incurred by the UNDP Country Office in Brazil and charged to the project for the period from April 24th, 2018 to December 31st, 2019 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 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 FUS 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

Basis of preparation and Restriction of use

We draw attention to the fact that the attached CDR and FUS of the UNDP Project ID 00097577, Fortalecimento da Capacidade Institucional do Sistema Nacional de Acesso e Repartição de Benefícios is presented in accordance with UNDP accounting policies. This Financial information has been prepared for purposes of providing information to United Nations Development Programme (UNDP) and Inter-American Development Bank (IDB). The financial information may, therefore, not be suitable for another purpose. This report is intended solely for UNDP and IDB and should not be used for any other parties. Our opinion is not modified in respect of this matter.

Not applicable of Statement of Fixed Assets, Statement of Cash and Statement of Cumulative Investments

In accordance with UNDP policies and procedures some statements described in UNDP policies, related to the fixed assets and cash, denominated Statement of Fixed Assets (SFA), Statement of Cash (SOC) and Statement of Cumulative Investments (SCI) are not applicable due to certain conditions observed. At local level, UNDP Brazil does not work with a project specific bank accounts as well as does not have fixed assets in the UNDP Project ID 00097577, Fortalecimento da Capacidade Institucional do Sistema Nacional de Acesso e Repartição de Benefícios according to Nagoia Protocol. Accordingly, no SFA, SOC and SCI was available for our audit procedures for the period from April 24th, 2018 to December 31st, 2019. Our opinion is not modified in respect of this matter.

Management responsibilities

Management is responsible for the preparation of the CDR and the FUS of the project in accordance with UNDP accounting policies, and for such internal control as management determines is necessary to enable the preparation of a CDR and FUS 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 FUS 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and FUS, 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.

Brasília-DF, April 30th, 2020.

Representation letter

BDO RCS Auditores Independentes SS
Setor de Autarquia Sul - SAUS
Quadra 4 - Lote 09/10 - Bloco A
Victoria Office Tower
Brasília - DF
Brazil

April 30th, 2020

Financial information at UNDP Brazil

In accordance with your professional practice standards, this letter has been prepared in relation to the audit of the Combined Delivery Report (CDR) and Funds Utilization Statement (FUS), hereinafter, collectively referred to as "Financial Information" of the UNDP Project ID 00097577, Fortalecimento da Capacidade Institucional do Sistema Nacional de Acesso e Repartição de Benefícios according to Nagoia Protocol as stated in PRODOC, expressed in US Dollar for the period from April 24th, 2018 to December 31st, 2019.

As we are responsible for preparing the financial information and internal control systems relating to such preparation, we hereby confirm that, to the best of our knowledge and belief, the information and representations provided to you during your engagement are correct.

1. The Financial Information has been prepared in accordance with the 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.
2. Controls aimed at preventing and detecting errors and frauds have been designed and implemented.
3. We are not aware of any significant deficiencies in internal control processes, or any other material weaknesses.
4. At the date of this letter, we are not aware of any events other than those already taken into the financial information since the closing date which necessitate an accounting treatment or disclosure in the financial information.
5. We confirm that all of the following have been made available to you:
 - all financial and accounting records and related documentation;
 - all contracts which have or may have a material impact on the financial information;
 - all financial and accounting records, the contracts which have or may have a material impact on the Financial Information, together with;
 - any reports, notices or positions issued by regulatory or supervisory bodies, the contents of which could have a material effect on the presentation of the Financial Information;
6. We have provided you with all the additional information that you have requested and have given you free access to the personnel of the company who you wished to meet as part of your audit.

7. We have informed you of our assessment of the risk that the financial information containing any material irregularities due to fraud.

We are not aware of any:

- a. committed or suspected fraud involving the management, employees with key role in the internal control processes or other persons and likely to bring material irregularities in the accounts;
 - b. suspicion of fraud having an impact on the Financial Information.
8. To the best of our knowledge, we comply with laws and regulations. Procedures have been designed and implemented to ensure compliance with such laws and regulations. We are not aware of any violations which may have a material effect on the Financial Information.
 9. All the operations carried out during the from April 24th, 2018 to December 31st, 2019 and all the financial consequences of any agreement/contract have been properly recorded or described in the notes to the financial information.
 10. We confirm there is not any liabilities and contingent liabilities of which we are aware related to this DIM Project.
 11. We confirm that we have reviewed all the Financial Information. We have correctly identified, classified, recognised and measured this Financial Information according to UNDP accounting policies.

Carlos Arboleda

Carlos Arboleda
Deputy Resident Representative
UNDP Brazil