

1439i/21
Brasília, March 31, 2021.

To
UNDP Brazil
C/o: the Management

Ref.: Executive summary

We have audited the Combined Delivery Report (CDR) and the Statement of Use of Funds (FUS), hereinafter referred to collectively as “Financial Information” of Project ID 00097577 of UNDP, Strengthening the Institutional Capacity of the National System of Access and Benefit Sharing in accordance with the Nagoya Protocol as established in PRODOC, expressed in US dollars for the period ended December 31, 2020.

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

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1. Introduction

1.1. Purpose of work

As part of our audit of Financial Information for the period ended December 31, 2020 carried out in accordance with Brazilian and international auditing standards, Project PNUD ID 00097577, Strengthening the Institutional Capacity of the National System for Access and Benefit Sharing of in accordance with the PRODOC Nagoya Protocol, expressed in US dollars, we obtained an understanding of the internal controls that we consider relevant for the audit of the process, in order to identify and assess the risks of material misstatement in the referred Financial Information and to determine the timing, nature and extent of our audit exams.

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, 2020 and did not affect our opinion issued in the audit report dated March 31, 2021.

2. Deficiencies in Internal Control

2.1. Absence of a specific bank account

Observation

The Financial Information presented by the Management team did not present the cash balance as of December 31st, 2020. 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.