UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

ELECTRONIC FUNDS TRANSFER / E-BANKING

IN

UNDP

Report No. 2046
Issue Date: 6 March 2020
Report on the Audit of Electronic Funds Transfer / E-Banking

Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP’s Electronic Funds Transfer / E-Banking from 23 September to 6 December 2019. Electronic Funds Transfer / E-Banking is the electronic transfer of money from a bank account of one UNDP business unit to a bank account of another entity through computer-based systems. Electronic Funds Transfer is executed without any manual intervention (payment information is sent directly from Atlas [enterprise resource planning system of UNDP] to the applicable bank for further processing) and E-Banking is processed with various degrees of manual intervention (payment information is extracted from Atlas and subsequently submitted to the applicable bank for further processing). 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 (policies and procedures, staffing and communications, and business process improvement); and
(b) operations (input and output process, data transmission, management of access rights, and business continuity).

The audit covered the activities of Treasury in New York and a selection of seven UNDP Country Offices (Colombia, Jordan, Kenya, Malawi, Peru, Sri Lanka, and Viet Nam) covering four of the five regions (Arab States, Asia and Pacific, Africa and Latin America and the Caribbean) regarding Electronic Funds Transfer / E-Banking from 1 January 2018 to 31 August 2019.

The seven Country Offices were selected based on the following criteria: (i) highest amounts paid using Electronic Funds Transfer / E-Banking, (ii) not subject to a Country Office audit in 2019, (iii) highest number of issues noted regarding the payment process during previous Country Office audits, and (iv) regional coverage.

During the period under review UNDP recorded voucher-related payments amounting to $8.1 billion. Of this amount, 56.7 percent was paid through UNDP’s Electronic Funds Transfer interface with Bank of America managed by Treasury, 11.9 percent through Electronic Fund Transfer interfaces with various local banks managed by UNDP Country Offices, 4.9 percent through a variety of E-Banking applications provided by local banks and used by UNDP Country Offices, and 26.5 percent through other payment methods (for instance cheques and manual payments). The last audit of Electronic Funds Transfer was conducted by OAI in 2015. E-Banking was not previously audited.

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

Overall audit rating

OAI assessed UNDP's Electronic Funds Transfer / E-Banking as partially satisfactory / some improvement needed, which means “The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity.” This rating was mainly due to a lack of automated interface between Atlas and Society for Worldwide Interbank Financial Telecommunication (SWIFT).
Key recommendations: Total = 6, high priority = 1

The six recommendations aim to ensure the following:

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<tr>
<th>Objectives</th>
<th>Recommendation No.</th>
<th>Priority Rating</th>
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<tbody>
<tr>
<td>Effectiveness and efficiency of operations</td>
<td>3</td>
<td>Medium</td>
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<tr>
<td>Safeguarding of assets</td>
<td>2, 4, 5</td>
<td>Medium</td>
</tr>
<tr>
<td>Compliance with legislative mandates, regulations and rules, policies and procedures</td>
<td>1, 6</td>
<td>High</td>
</tr>
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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 recommendation is presented below:

Lack of automated interface between Atlas and SWIFT (Issue 6)

There was no automated interface between Atlas and Society for Worldwide Interbank Financial Telecommunication (SWIFT). Treasury Division staff manually entered applicable SWIFT transactions (wires, deals and bank settlements) manually in SWIFT. Data already entered in Atlas needed to be printed, saved to a shared drive and subsequently re-entered into SWIFT.

Recommendation 6: Treasury should implement an automated interface between Atlas and SWIFT and reduce the need for manual intervention.

Management comments and action plan

The Director of the Bureau for Management Services and the Treasurer accepted the six recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttvæten
Director
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