



AUDIT

OF

UNDP CYPRUS

NEW NICOSIA WASTE WATER TREATMENT PLANT
(Directly Implemented Project No. 71757)

Report No. 1196
Issue Date: 21 October 2013

**Report on the audit of UNDP Cyprus
New Nicosia Waste Water Treatment Plant (Project No. 71757)
Executive Summary**

From 24 June to 5 July 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP), through Deloitte Audit s.r.o. (the audit firm), conducted an audit of New Nicosia Waste Water Treatment Plant, Project No. 71757 (the Project), which is directly implemented and managed by the UNDP Office in Cyprus (the Office). The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. The last audit of the Office was conducted by OAI in 2011.

The Project reported expenditure totalling \$15.1 million during the period from 1 January to 31 December 2012. The Project was funded by Cyprus and the European Commission.

Audit scope and objectives

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Statement of Expenditure (Combined Delivery Report) for the period from 1 January to 31 December 2012 and Statement of Assets as of 31 December 2012.

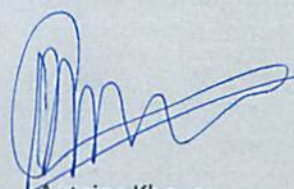
Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenditure		Project Assets	
Amount (in \$ '000)	Opinion	Amount (in \$ '000)	Opinion
15,128	Unqualified	19	Unqualified

Key issues and recommendations

The audit did not raise any reportable issues.



Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations



Auditor's Report

From financial audit of “New Nicosia
Waste Water Treatment Plant”
implemented by UNDP in Cyprus

27 August 2013

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1. PART I - EXECUTIVE SUMMARY

1.1. Purpose And Scope Of This Report

Based on Contract No. PS 2013/02 dated 6 June 2013 and following our appointment we have performed an audit of one development project implemented by UNDP in Cyprus named "New Nicosia Waste Water Treatment Plant" for the financial year 2012.

The objective of the financial audit was to express an opinion on an project's financial statements and particularly to express an opinion on whether the statement of expenditure presents fairly the expenditure incurred by the project over a specified period in accordance with UNDP accounting policies and that the expenditures incurred 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.

UNDP Office in Cyprus prepared statement of expenditure (Combined Delivery Report) for the project and year under the examination. We provided Auditor's opinion on this statement. There was no Statement of Cash Position prepared, therefore our scope was to verify just CDR and Statement of Fixed Assets.

1.2. Projects Identification Data

The following table summarizes the amount of expenditures (in USD) under examination:

Table 1

Project number	Output number	Project name	Implementing partner	2012	Total
57938	71757	New Nicosia Waste Water Treatment Plant	UNDP	15,127,729.23	15,127,729.23

1.3. Background Information About Project

The project aims to provide services to Greek Cypriot and Turkish Cypriot communities for the construction of a new Waste Water Treatment Plant to enhance the communities' wellbeing and to protect the shared environment and natural resources.

The project will foster cooperation between the two communities at different levels, through the transfer of knowledge, operation and maintenance as well as public awareness.

1.4. Work Done

1.4.1. Expenditures verified

In average, we verified 98 % of all reported expenditures as shown in the following table:

Table 2

Output	Year	No. of samples	Total expenditure as per CDR (in USD)	Total expenditure tested	Percentage
71757	2012	61	15,127,729.23	14,821,371.76	98.0%

1.4.2. On-the-spot audit

We performed part of fieldwork directly on-the-spot in the UNDP Cyprus Office premises in Nicosia during the period June 24 - 28, 2013. The fieldwork was completed in Bratislava.

Overall Audit timeline was as follows:

Table 3

Audit Phase	Timeline
Planning	June 6 – 14, 2013
Fieldwork	June 24 – July 5, 2013
- Of which on the spot audit	June 24 - 28, 2013
Reporting	July 8 – July 30, 2013

1.5. Conclusions

We identified only findings with low priority. Financial errors identified were insignificant.

Our opinion on the CDR together with signed CDR and opinion on Statement of Fixed Assets together with signed Statement of Fixed Assets is included in the Chapter 2 of this Report.

Findings and recommendations with low priority are not included in this Report but were provided separately to the Project Management.



Marián Hudák
Country Leading Partner and Executive
Deloitte Audit s.r.o.

2. PART II – AUDIT REPORT WITH OPINION

2.1. Opinion on CDR

REPORT OF THE INDEPENDENT AUDITOR ON THE OUTPUT “NEW NICOSIA WASTE WATER TREATMENT PLANT”

To: Director
UNDP Office of Audit and Investigations
Daily News Building, 23rd Floor
220 East 42nd Street
New York, NY 10017, USA

Report on the Project Financial Statement

We have audited the accompanying Combined Delivery Report (“the statement”) of the UNDP Directly Implemented Project, output number 71757 named “New Nicosia Waste Water Treatment Plant” for the period 1.1.2012 – 31.12.2012.

Management Responsibility

Management is responsible for the preparation of the statement for output 71757 and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with the International Standards on Auditing applicable for this engagement. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project’s preparation of the statements 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 project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unmodified Opinion

In our opinion, the attached Combined Delivery Report presents fairly, in all material respects, the expenditure of USD 15,127,729.23 incurred by the output “New Nicosia Waste Water Treatment Plant” for the period 1.1.2012 – 31.12.2012 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.

Bratislava, 27 August 2013



Marián Hudák, CA, FCCA
Responsible Auditor
Licence SKAu No. 856

Auditor's Report from audit of "New Nicosia Waste Water Treatment Plant" implemented by UNDP in Cyprus

2.2. Signed CDR



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 1 of 5
Run Time: 09-04-2013 11:04:58

Selection Criteria :

Business Unit : CYP10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00071757

Project Id : 00057938	MIA MILIA HASPOLAT - Waste Wat	Period : Jan-Dec (2012)
Output # : 00071757	New Nicosia Waste Water TP	Impl. Partner : 99999 UNDP
	Location :	

Dept: 54901 (UNDP Cyprus PFF - Central)

Fund : 11300 (Teaching Activities (PD))

71205 - Intl Consultants-Sht Term-Tech	0.00	23,809.52	0.00	23,809.52
76125 - Realized Loss	0.00	0.00	0.00	0.00

Total Fund 11300	0.00	23,809.52	0.00	23,809.52
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Fund : 30071 (Programme Cost Sharing GOV1)

61105 - Salaries - NP Staff	0.00	9,631.79	0.00	9,631.79
61305 - Salaries - IP Staff	0.00	89,042.27	0.00	89,042.27
61310 - Post Adjustment - IP Staff	0.00	27,606.59	0.00	27,606.59
62105 - Dependency Allowance-NP Staff	0.00	1,489.84	0.00	1,489.84
62110 - Contrib Joint Staff Pension-NP	0.00	6,127.96	0.00	6,127.96
62115 - Contrib to Med,SocIns-NP Staff	0.00	2,205.97	0.00	2,205.97
62140 - Annual Leave Expense - NO	0.00	3,145.51	0.00	3,145.51
62310 - Contrib to Jt Staff Pens Fd-IP	0.00	30,433.32	0.00	30,433.32
62320 - Mobility, Hardship, Non-remova	0.00	2,019.97	0.00	2,019.97
62340 - Annual Leave Expense - IP	0.00	8,455.11	0.00	8,455.11
63335 - Home Leave Trvl & Allow-IP Stf	0.00	924.96	0.00	924.96
63530 - Contribution to EOS Benefits	0.00	3,676.89	0.00	3,676.89
63535 - Contribution to Security	0.00	5,883.08	0.00	5,883.08
63540 - Contribution to Training	0.00	1,166.50	0.00	1,166.50
63545 - Contribution to ICT	0.00	2,206.16	0.00	2,206.16
63550 - Contributions to MAIP	0.00	294.14	0.00	294.14
63555 - Contribution to UN JFA	0.00	2,647.41	0.00	2,647.41
63560 - Contributions to Appendix D	0.00	441.21	0.00	441.21
65115 - Contributions to ASHI Reserve	0.00	9,559.95	0.00	9,559.95
65135 - Payroll Mgt Cost Recovery ATLA	0.00	907.01	0.00	907.01
71305 - Local Consult.-Sht Term-Tech	0.00	29,939.03	0.00	29,939.03
71405 - Service Contracts-Individuals	0.00	90,208.82	0.00	90,208.82
71410 - MAIP Premium SC	0.00	63.74	0.00	63.74
71415 - Contribution to Security SC	0.00	0.00	0.00	0.00
72105 - Svc Co-Construction & Engineer	0.00	8,920,254.23	0.00	8,920,254.23
72120 - Svc Co-Trade and Business Serv	0.00	2,714.67	0.00	2,714.67
72145 - Svc Co-Training and Educ Serv	0.00	53.42	0.00	53.42
72399 - Other Materials and Goods	0.00	89,468.47	0.00	89,468.47
72401 - Prefab structure/other buildin	0.00	2,445,210.33	0.00	2,445,210.33
72420 - Land Telephone Charges	0.00	172.02	0.00	172.02
72425 - Mobile Telephone Charges	0.00	978.27	0.00	978.27
72440 - Connectivity Charges	0.00	442.52	0.00	442.52
72505 - Stationery & other Office Supp	0.00	1,162.87	0.00	1,162.87
73110 - Custodial & Cleaning Services	0.00	118.02	0.00	118.02
73120 - Utilities	0.00	335.74	0.00	335.74
73310 - Maint & Licencing of Software	0.00	478.45	0.00	478.45
73405 - Rental & Maint-Other Office Eq	0.00	185.59	0.00	185.59

Deloitte.
Signed For Identification

Auditor's Report from audit of "New Nicosia Waste Water Treatment Plant" implemented by UNDP in Cyprus



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 2 of 5
Run Time: 09-04-2013 11:04:58

Project Id : 00057938 MIA MILIA HASPOLAT - Waste Wat		Period : Jan-Dec (2012)		
Output # : 00071757 New Nicosia Waste Water TP		Impl. Partner : 99999 UNDP		
		Location :		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
73410 - Maint, Oper of Transport Equip	0.00	1,804.77	0.00	1,804.77
74205 - Audio Visual Productions	0.00	5,363.64	0.00	5,363.64
74220 - Translation Costs	0.00	41.30	0.00	41.30
74325 - Contrib.To CO Common Security	0.00	239.31	0.00	239.31
74505 - Insurance	0.00	2,209.68	0.00	2,209.68
74525 - Sundry	0.00	487.08	0.00	487.08
75115 - Facilities & Admin - OH & Ind	0.00	655,308.00	0.00	655,308.00
76125 - Realized Loss	0.00	9.99	0.00	9.99
76135 - Realized Gain	0.00	- 13.77	0.00	- 13.77
Total for Fund 30071	0.00	12,455,101.83	0.00	12,455,101.83
Fund : 30079 (EUROPEAN COMMISSION)				
71405 - Service Contracts-Individuals	0.00	7,932.76	0.00	7,932.76
71410 - MAIP Premium SC	0.00	14.60	0.00	14.60
71415 - Contribution to Security SC	0.00	0.00	0.00	0.00
71605 - Travel Tickets-International	0.00	538.40	0.00	538.40
71615 - Daily Subsistence Allow-Intl	0.00	846.00	0.00	846.00
71635 - Travel - Other	0.00	217.21	0.00	217.21
72401 - Prefab structure/other buildin	0.00	2,450,980.39	0.00	2,450,980.39
74205 - Audio Visual Productions	0.00	2,298.70	0.00	2,298.70
74505 - Insurance	0.00	614.53	0.00	614.53
74525 - Sundry	0.00	- 36.92	0.00	- 36.92
75110 - Facilities & Admin - Services	0.00	185,412.21	0.00	185,412.21
76135 - Realized Gain	0.00	0.00	0.00	0.00
Total for Fund 30079	0.00	2,648,817.88	0.00	2,648,817.88
Total for Dept : 54901	0.00	15,127,729.23	0.00	15,127,729.23
Total for Output : 00071757	0.00	15,127,729.23	0.00	15,127,729.23
Project Total :	0.00	15,127,729.23	0.00	15,127,729.23

Signed By :

Date :

10/4/13

Signed By :

Tiziana Zennaro
UNDP-PFF Programme Manager

Date :

Deloitte.
Signed For Identification

Auditor's Report from audit of "New Nicosia Waste Water Treatment Plant" implemented by UNDP in Cyprus



UNDP UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 3 of 5
Run Time: 09-04-2013 11:04:59

Selection Criteria :

Business Unit : CYP10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00071757

Project Id : ALL	Period : Jan-Dec (2012)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
54901 - UNDP Cyprus PFF - Central	0.00	15,127,729.23	0.00	15,127,729.23

Deloitte.
Signed For Identification

Auditor's Report from audit of "New Nicosia Waste Water Treatment Plant" implemented by UNDP in Cyprus



UN Development Programme
Report ID: unglcdrp

Combined Delivery Report By Project

Page 4 of 5
Run Time: 09-04-2013 11:04:00

Funds Utilization

Selection Criteria :

Business Unit : CYP10
Period : Jan-Dec (2012)
Selected Project Id : ALL
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : 00071757

Project/Award: 00057938 MIA MILIA HASPOLAT - Waste Wat

Period : As at Dec 31, 2012

Output #	00071757	Impl. Partner :99999 UNDP	UNDP AMOUNT
	Outstanding NEX advances		0.00
	Undepreciated Fixed Assets		0.00
	Inventory		0.00
	Prepayments		0.00
	Commitments		0.00

Deloitte.
Signed For Identification

Auditor's Report from audit of "New Nicosia Waste Water Treatment Plant" implemented by UNDP in Cyprus



UNDP UN Development Programme
Report ID: unglodrp

Combined Delivery Report By Project

Page 5 of 5
Run Time: 09-04-2013 11:04:02

Schedule to Combined Delivery Report IPSAS Adjustments as at 1 January 2012

Selection Criteria :

Business Unit : CYP10
Selected Project(s) : ALL
Selected Fund Code : ALL
Selected Output(s) : 00071757

Project Id : ALL					
Output # :					
Impl. Partner : NONE					
Description	Account	Fund	Donor	Amount	

No Data found for the Selection Criteria

Deloitte.
Signed For Identification

2.3. Opinion on Statement of Fixed Assets

REPORT OF THE INDEPENDENT AUDITOR ON THE OUTPUT “NEW NICOSIA WASTE WATER TREATMENT PLANT”

To: Director
UNDP Office of Audit and Investigations
Daily News Building, 23rd Floor
220 East 42nd Street
New York, NY 10017, USA

Report on the Project Statement of Fixed Assets

We have audited the accompanying Statement of Fixed Assets (“the statement”) of the UNDP Directly Implemented Project, output number 71757 named “New Nicosia Waste Water Treatment Plant” for the period 1.1.2012 – 31.12.2012.

Management Responsibility

Management is responsible for the preparation of the statement for output 71757 and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with the International Standards on Auditing applicable for this engagement. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project’s preparation of the statements 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 project’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Unmodified Opinion

In our opinion, the attached Statement of Fixed Assets presents fairly, in all material respects, the balance of fixed assets of the UNDP output “New Nicosia Waste Water Treatment Plant” amounting to USD 18,864.47 as at 31.12.2012 in accordance with UNDP accounting policies.

Bratislava, 27 August 2013

A handwritten signature in blue ink, appearing to read 'MH', is positioned above the printed name of the auditor.

Marián Hudák, CA, FCCA
Responsible Auditor
Licence SKAu No. 856

2.4. Signed Statement of Fixed Assets

Statement of Assets

Date: 31.12.2012		Project No: 71757													
No	Tag ID	Item	Description	Location	Project ID	Asset Profile	Quantity	Serial Number	Acquisition Date	In Service Date	Acquisition Cost	Currency	Acquisition Cost (USD)	Net Book Value (USD)	Comment
1	UNDP PFF 5	VEHICLE	MITSUBISHI L200 D/C 2.5 INVITE 4WD M/T	Check Point	71757	VEHICLE	1	N/A	25.05.2010	25.05.2010	13,900.00	EUR	18,911.56	8,825.39	
2	A-324	NOTEBOOK	Sony Vaio VPCF1121E	Mila Milla Project Office	71757	ELECTRICAL	1	27514856 5000405	16.06.2010	16.06.2010	1,642.20	EUR	2,005.13	710.15	
3	UNDP PFF 6	VEHICLE	PEUGEOT 308 PREMIUM 1.6 HDI 90 HP MANUAL	Check Point	71757	VEHICLE	1	N/A	12.08.2010	12.08.2010	13,000.00	EUR	18,056.00	9,328.93	

Officer-in-charge:

All Tuzel

UNDP-PFF Operation Manager

19 August 2013



3. PART III - MANAGEMENT LETTER

We identified only findings with low priority. Findings and recommendations with low priority are not included in this Report but are provided separately to the Project Management.

It should be noted that these findings do not result from a specifically targeted review engagement but are only those that came to our attention during the course of our audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control.

UNDP Cyprus Office Management is responsible for the design, implementation and maintenance of the internal control system over the projects. To execute this obligation, the UNDP Cyprus Office Management is required to assess the expected risks and rewards of the policies and procedures for management control.

The objectives of the internal control system are, to provide UNDP Directors and Management sufficient assurance that the project assets of the Company are protected from loss resulting from unauthorized use or manipulation, and that the project operations are performed in accordance with the policies adopted and are recorded properly in order to allow for the timely preparation of reliable accounting information in accordance with the applicable accounting principles.

We would like to thank the UNDP Cyprus Office Management for their comments on individual management letter points, which we have considered in completing this letter.

This letter together with low priority findings are intended primarily for the information and use of the Office of Audit and Investigation Director and UNDP Cyprus Office Management.

We would be pleased to discuss our comments with you further, and if requested, to assist you in implementing any of the recommendations.

Yours faithfully,



Marián Hudák
Country Leading Partner and Executive
Deloitte Audit s.r.o.