



AUDIT

OF

UNDP CYPRUS

SUPPORT TO THE COMMITTEE ON MISSING PERSONS
(Directly Implemented Project Nos. 42860, 78114 and 83801)

Report No. 1171
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**Report on the audit of UNDP Cyprus
Support to the Committee on Missing Persons (Project Nos. 42860, 78114 and 83801)
Executive Summary**

From 18 to 27 March 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 Support to the Committee on Missing Persons, Project Nos. 42860, 78114 and 83801 (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 Committee on Missing Persons in Cyprus was established in 1981 by an agreement between the Greek Cypriot and Turkish Cypriot communities under the auspices of the United Nations. It is composed of a member appointed by each of the two communities and a third member, selected by the International Committee of the Red Cross and appointed by the Secretary-General of the United Nations. Decisions are taken by consensus. The Chair is rotated monthly. The Project also included activities financed through the advance of funds modality, where the member offices acted as implementing partners and the payments were processed by the Office after the third member certified that goods were received and services were provided.

The Project reported expenditure totalling \$5.6 million during the period from 1 January 2011 to 31 December 2012. The following donors contributed to the Project: European Commission, Cyprus, the Netherlands, Ireland, Belgium, Greece, Germany, United Kingdom, Turkish Cypriot Member of the Committee on Missing Persons, and Slovak Aid.

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 2011 (Project Nos. 42860 and 78114) and for the period from 1 January to 31 December 2012 (Project Nos. 42860, 78114 and 83801). An audit opinion on the Statement of Assets was not provided, as the Project did not maintain Statement of Assets, did not assign a person responsible for assets, or carry out any asset verification (refer to Issue 3.2.1).

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 No.	Year	Expenditure (in \$ '000)	Audit Opinion	NFI (in \$ '000)	NFI (in %)
42860	2011	617	Unqualified	-	-
42860	2012	317	Unqualified	-	-
78114	2011	2,113	Qualified	24	1.1%
78114	2012	1,930	Qualified	11	0.6%
83801	2012	593	Unqualified	-	-
Total		5,570		35	0.6%

NFI = Net Financial Impact

The audit firm qualified its opinion on project expenditures due to inclusion of expenditures totalling \$35,000 related to salary payments for time not worked.


Key issues and recommendations

The audit raised 10 issues and resulted in 10 recommendations, of which 3 (30 percent) were ranked high (critical) priority, meaning "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 and may affect the organization at the global level." Upon presentation of the audit report, the Office provided additional supporting evidence from the donor and project personnel resulting in the closure of two high (critical) priority recommendations.

Finance (Issue 3.1.2)	<u>Advance payments for non-working employees.</u> The Office accepted requests for advances from the Committee on Missing Persons members totalling EUR 27,000 (\$35,000) for four project personnel that did not work on the project activities during the specific periods. OAI recommends that the Office get refunded for non-eligible financial resources and establish better internal control mechanisms for approval of advance payments, including the preparation of the overview tables and the implementation of the proper segregation of duties.
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Management's comments

The Programme Manager accepted all the recommendations and is in the process of implementing them.



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