UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

AFGHANISTAN

ASSET MANAGEMENT

Report No. 1261

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Report on the Audit of Asset Management in UNDP Afghanistan
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of asset management in UNDP Afghanistan (the Office) from 3 to 21 November 2013. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to asset management.

The audit covered the activities of the Office from 1 January 2012 to 20 November 2013. According to the Office's master list as of 5 November 2013, the Office had 1,325 capital assets and 1,483 non-capital assets valued at $7.6 million and $100,000 respectively[1]. The last audit of the Office covering asset management was conducted by OAI in November 2011 (OAI Report No. 881 issued 19 April 2012).

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

Overall audit rating

OAI assessed the Office's asset management as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to the control weaknesses noted in accounting for capital assets and management of the Office's assets and asset transfers.

Good practice

The Office established an Asset Management Team and designated project Asset Focal Points to facilitate asset management in the Office and in projects (refer to page 1 for details).

Key recommendations: Total = **5**, high priority = **3**

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. All high (critical) priority recommendations are presented below:

Inaccurate recording of capital assets (Issue 1)	As of 5 November 2013, the Office's master list of assets included 1,325 capital assets valued at $7.6 million or approximately $1.5 million less than the reported value of capital assets during the June 2013 mid-year certification. Also, 512 items (valued at $3 million) in the Office's master list had not been recorded as capital assets in Atlas. Furthermore, the Office had not submitted any documentation on leases and leasehold improvements to the Global Shared Services Centre as required, and had incorrectly recorded 126 items as capital assets in Atlas. Lastly, OAI noted that there was a lack of coordination between the Supply Chain Management Office, the Administrative Services Unit, and the projects when procuring and capitalizing assets.

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[1] After adopting the International Public Sector Accounting Standards, UNDP opted for gradual recognition of its assets and decided to fully recognize them starting in 2015. The Office reported 698 project assets valued at $19 million as of June 2013 and procured prior to 2012 that were maintained outside Atlas.

Recommendation: Ensure compliance with relevant policies and procedures by: (a) maintaining accurate and up-to-date records of assets in Atlas including correcting the items recorded in error; (b) submitting the documentation on leases and leasehold improvements to the Global Shared Services Centre in a timely manner for review to determine whether they have to be recognized as capital assets; (c) ensuring that Project Managers and Approving Managers review the proper recording of assets in Atlas prior to approving e-requisitions or purchase orders; and (d) establishing standard operating procedures reflecting the roles and responsibilities of the different units involved in asset acquisition.

Inadequate management of Office assets. (Issue 2)

The Office's asset management system had compatibility issues with Atlas. Further, there were control weaknesses such as missing custodian names, asset IDs, and tag numbers, non-verification of 18 assets (valued at $400,000) in the provincial offices, and incomplete recording of computer sets procured and the existence of 62 surplus assets.

Recommendation: Improve asset management by: (a) establishing an asset management system including the acquisition of high quality tagging stickers; (b) establishing a mechanism to ensure that assets are properly tagged and records are updated ensuring all assets, including those located in the provincial offices, are physically verified; and (d) conducting a proper needs assessment prior to procuring computer sets to avoid surplus assets and maintaining a complete and accurate list of custodial items.

Weak controls over UNDSS assets (Issue 3)

The Office only verified and reported United Nations Department of Safety and Security (UNDSS) assets procured by UNDP and those recorded against funding code 68100 in Atlas. The list of assets from the UNDSS Logistics Office in Dubai and the assets cost-shared with other United Nations agencies was not provided to the Office or to OAI. Therefore, OAI could not ascertain whether the Office complied with the provisions in the Memorandum of Understanding with UNDSS. Further, the discrepancies between the assets physically verified and Atlas records were not yet corrected. OAI also noted that the records of UNDSS assets did not include their locations and the names of asset custodians.

Recommendation: Ensure compliance with the Programme and Operations Policies and Procedures and Memorandum of Understanding by: (a) ensuring that UNDSS assets are accounted for based on the guidance provided by the UNDP Administrative Services Division; (b) ensuring that discrepancies in the UNDSS asset records in Atlas are corrected on a timely basis; and (c) maintaining complete details of UNDSS assets including their specific locations and the names of the asset custodian.

Implementation status of previous OAI audit recommendations: Report No. 881, 19 April 2012.
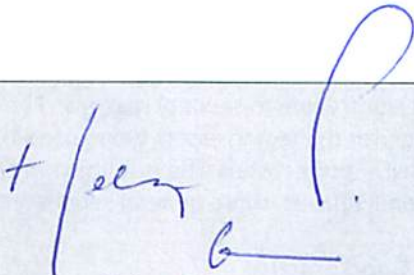Total recommendations: 2
Implementation status: 100% implemented

Management comments and action plan

The Resident Representative accepted all five recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in the report, where appropriate.

Issues with less impact (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   About the Office

The Office is located in Kabul, Afghanistan (the Country). Its 2010 - 2013 Country Programme Document focuses on four themes: (a) stabilization and peace building; (b) democratic governance; (c) livelihoods, natural resource management and disaster risk reduction; and (d) national development policies for economic growth and poverty reduction. The Office's programme and management expenditures totaled $650 million during 2012 and $500 million from January to November 2013.

The Office was operating in a complex environment and the staff were not permitted to travel to certain areas in the Country due to security reasons. The Office's Administrative Service Unit was responsible, among other things, for managing assets being used by the Office and under its control and use, including those assets used by UNDP project staff. The Administrative Service Unit had seven personnel in the Asset Management Team (two national officers, three general service staff, and two service contract holders).

II.   Good practice

OAI identified a good practice, as follows:

Asset management - Establishing an Asset Management Team

The Office established an Asset Management Team and assigned each member to coordinate with different projects to verify, record, transfer and dispose of assets. At the project level, the Office also designated project Asset Focal Points who worked closely with the Asset Management Team. This arrangement facilitated asset management in the Office and in projects.

III.   Audit results

OAI proposes five recommendations that are ranked high (critical) and medium (important) priority. Low priority recommendations were discussed directly and agreed to with the Office and are no longer included in this report.

High priority recommendations, arranged according to significance:
   (a) Ensure compliance with the Programme and Operations Policies and Procedures and Operational Guide of the UNDP Internal Control Framework regarding recording of assets (Recommendation 1)
   (b) Improve control over asset management (Recommendation 2)
   (c) Ensure compliance with the Programme and Operations Policies and Procedures and Memorandum of Understanding with the United Nations Department of Safety and Security (Recommendation 3)

Medium priority recommendations, arranged according to significance:
   (a) Comply with the Programme and Operations Policies and Procedures regarding asset transfers (Recommendation 4)
   (b) Ensure assets transferred to government institutions are safeguarded and properly used (Recommendation 5)

The detailed assessment is presented below, per audit area:

Beginning in 2012, UNDP adopted the International Public Sector Accounting Standards and started recognizing and recording all items that met the capitalization requirements in Atlas. Those project assets procured prior to 2012 are only tracked outside of Atlas until UNDP finally reports the opening balance of its assets in 2015. [2]

OAI reviewed the Office's processes in accounting for its capital and non-capital assets and noted control weaknesses as described below:

Issue 1   Inaccurate recording of capital assets

The Programme and Operations Policies and Procedures require that the Office use the UNDP catalogue in Atlas to procure items that will be used and controlled by UNDP and which are valued at more than $500. The UNDP catalogue should not be used for items procured to be used and controlled by government institutions. The Office is also required to update asset records in Atlas on a monthly basis and to submit documentation on leases and leasehold improvements to the Global Shared Services Centre. Specifically, the Programme and Operations Policies and Procedures require that leases and leasehold improvements should be reviewed to determine whether they have to be recognized as capital assets. Furthermore, the Operational Guide of the UNDP Internal Control Framework requires Project Managers and Approving Managers to ensure accurate recognition of assets in Atlas before approving e-requisitions or purchase orders.

OAI noted the following shortcomings in accounting for the Office's assets:

(a)   Asset record in Atlas not updated

The Office reported 1,190 capital assets valued at $9.1 million as of 30 June 2013 that were physically verified. However, as of 5 November 2013, the Office's master list of assets included 1,325 capital assets valued at $7.6 million or approximately $1.5 million less than the reported value of capital assets during the June 2013 mid-year certification. The Administrative Services Unit explained that this difference was mainly due to assets being transferred to the Office from a closed project (00039048). The value of these assets was initially recorded at acquisition costs, but the Global Shared Service Center advised that the depreciated value should be used. OAI was unable to validate the $1.5 million difference as relevant records were not available to reconcile the amount.

Further, 512 items (valued at $3 million) in the Office's master list had not been recorded as capital assets in Atlas, of which 269 items (valued at $1.3 million) were assets procured in 2012 and 245 items ($1.7 million) in 2013.

Additionally, the Office had not submitted documentation on leases and leasehold improvements to the Global Shared Services Centre. OAI noted that the Office had about 10 active lease agreements. Also, the Office had already paid a contractor approximately $100,000 for the current renovation and improvement of its premises.

(b)   Incorrect asset recognition

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[2] International Public Sector Accounting Standard 17 allows entities to gradually recognize their assets within a 5-year transition period. UNDP decided to fully recognize its assets starting in 2015.

The Office incorrectly used the UNDP catalogue when procuring 122 items ($100,000); all of which were transferred to government institutions. OAI also noted that telephone charges of $3,000 were incorrectly recorded as capital assets in Atlas.

There were several reasons for the incomplete and inaccurate recognition of assets in Atlas. The Office moved to a new location in April 2013, and the Administrative Services Unit was busy managing the relocation. Further, the Project Managers and the Approving Managers did not ensure proper recording of assets prior to approving e-requisitions or purchase orders. Based on interviews with the Office staff, OAI also noted that there was a lack of coordination between the Supply Chain Management Office, the Administrative Services Unit, and the projects when procuring and capitalizing assets.

The non-capitalization of assets resulted in an understatement of the Office's assets by approximately $3 million.

Priority	High (Critical)

Recommendation 1:
 	
Ensure compliance with Programme and Operations Policies and Procedures, and Operational Guide of the UNDP Internal Control Framework by:
  (a) maintaining accurate and up-to-date records of assets in Atlas including correcting the items recorded in error;
  (b) submitting the documentation on leases and leasehold improvements to the Global Shared Services Centre timely for review to determine whether they have to be recognized as capital assets;
  (c) ensuring that Project Managers and Approving Managers review the proper recording of assets in Atlas prior to approving e-requisitions or purchase orders; and
  (d) establishing standard operating procedures reflecting the roles and responsibilities of the different units involved in asset acquisition.	

Management action plan:
 	
Management advised that:
  (a) It has taken proactive action and all the errors in Atlas are now corrected.
  (b) There was only one case of leasehold improvement and this has since been submitted to the Global Shared Services Centre.
  (c) It has arranged a number of training courses on proper recording of assets in Atlas.
  (d) It has revised its standard operating procedures in close consultation with Headquarters. As soon as the revised version is approved it will be circulated to all concerned.
 	
Estimated completion date: March 2014	

B. Asset management

Beginning in 2012, the Office submitted bi-annual certification letters to the Office of Financial Resources Management, Bureau of Management, confirming that physical verification and reconciliations of asset records had been performed. The letters contained reports of the Office's capital assets that were physically verified and confirmed to be in use, reconciled with the Atlas asset management in-service report, and other assets, including

pre-2012 development project assets and United Nations Department of Safety and Security (UNDSS) assets.

OAI conducted a physical verification of 449 assets (valued at $9.4 million[3]), and reviewed records of asset acquisitions, disposals, transfers and submission of certification letters to the Office of Financial Resources Management. Shortcomings noted in the Office's management of assets in use, asset transfers, and UNDSS assets are discussed below:

Issue 2   Inadequate management of Office assets

UNDP Financial Regulations and Rules require the maintenance of accurate and up-to-date records of asset acquisitions receipt, custody, and maintenance, location, adjustment and disposal transactions. Further, all assets should be tagged to facilitate their oversight and control. The Operational Guide of the UNDP Internal Control Framework UNDP states that the Asset Focal Point and the Asset Manager should be excluded from the physical verification team to ensure segregation of duties.

OAI noted the following shortcomings in managing the Office's assets:

(a)   Weak asset management system

The Office had been using an in-house asset management system developed in late 2010 which interfaced with a device that printed asset tagging stickers. However, the system had compatibility issues with the Atlas system with regard to generating asset IDs and tag numbers, and importing data into the system. As such, the staff had to manually add or amend records, which was time consuming and prone to error. The Office recently acquired a new asset management system, but the staff indicated that their initial test of the system did not meet expected results. The Senior Deputy Country Director (Operations) informed OAI that he sought assistance from the Office of Information Systems Technology and formed a development team to enhance the Office's asset management system.

(b)   Weaknesses noted during physical verification of assets

The control weaknesses noted were as follows:
- The Office's master list did not include the names of the asset custodian for all 1,325 items and the Asset IDs were either not matched with the Atlas records or were missing. The list also included 512 assets without tag numbers. Further, OAI noted that the printing on the tagging stickers used for the sampled 449 assets faded easily.
- The Office did not conduct a physical verification of 18 assets ($400,000) including 4 vehicles located in the Kandahar and Herat regional offices but reported them as physically verified in the 2013 mid-year certification. According to the Office, staff were not permitted to travel to this location due to security issues.
- The Office and two Projects (00047111 and 00063078) had bought 147 computer sets (i.e. laptops, docking stations, and monitors) in 2012-2013. However, only the specifications of the laptop were recorded in Atlas while no such details were recorded for the docking stations and monitors. Additionally, OAI found 62 unused new monitors and docking stations in storage and assessed them as surplus to the Office's requirements. This occurred because the Office did not conduct a proper needs assessment before procuring the computer sets.

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[3] This figure included samples of assets procured pre-2012

(c)	Weaknesses in the composition of the physical verification

In May 2012, the Senior Deputy Country Director (Operations) issued a list of personnel designated to conduct the physical verification of Office and project assets. However, OAI noted that 6 of the 16 personnel involved in the physical verification were not among those designated. Further, the Office did not ensure proper segregation of duties as it allowed six Asset Focal Points to be part of the verification team who were also responsible for maintaining asset records. The Office explained this was due to the lack of available staff during the asset verification. According to the Office, it has increased the number of verifiers to avoid any conflicts of interest.

(d)	Inadequate management of custodial items[4]

During the prior audit of asset management at the Office (Audit Report 881, issued 19 April 2012), the Office provided OAI with a list of 500 custodial items (valued at $300,000) as of 14 November 2011. The audit team selected a sample of 20 items ($12,000) from this list to verify their existence and condition. However, none of the selected items were included in the current list provided by the Office as of 5 November 2013. The Office explained that the serial numbers of these items were incorrectly recorded previously but corrected in the current list. OAI sought additional clarification to validate this assertion but the Office failed to provide details. Inadequate management of the custodial items may expose UNDP to financial losses.

The inadequate asset management increased the risk of misuse or loss without the Office's knowledge.

Priority	High (Critical)

Recommendation 2:
 	
Improve controls over asset management by:
    (a) establishing an asset management system, including the acquisition of high quality tagging stickers that will meet UNDP's requirements for ensuring that assets are properly recorded and identified;
    (b) establishing a mechanism to ensure that assets are properly tagged and records are updated with the names of custodians and asset IDs matching the Atlas records;
    (c) ensuring that all assets including those located in the provincial offices are physically verified;
    (d) conducting a proper needs assessment prior to procuring computer sets to avoid surplus assets; and
    (e) maintaining a complete and accurate list of custodial items.	

Management action plan:
 	
Management advised that:
    (a) It has purchased an asset database compatible with Atlas, which the UNDP Regional Centre, Bangkok, is also using. The database is already installed but the Office is waiting for the hardware and expects to start using the database by March 2014.
    (b) The above database is also equipped with a good barcoding system. Once installed the Office will	

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[4] According to the Programme and Operations Policies and Procedures, these are items valued below $500 but higher than $300, and susceptible to theft or loss. Such items are tracked outside of the Atlas system.

barcode the assets.

(c) It increased the number of asset physical verifiers for regions to physically account for all the assets located at the regional offices. The Office also conducted training for these staff in January 2014.

(d) Procedures have been revised that require the asset requestors to check with the asset team before placing new orders. A needs assessment will also be conducted in line with the new asset life span for each asset category to prevent unnecessary purchases.

(e) The list of custodial items has been updated.

Estimated completion date: March 2014

Issue 3   Weak controls over United Nations Department of Safety and Security assets

The Programme and Operations Policies and Procedures provide that all assets purchased for the United Nations Department of Safety and Security (UNDSS) that qualify for capitalization must be processed in line with the UNDP item catalogue. In June 2006, UNDP signed a Memorandum of Understanding with UNDSS to provide support services to UNDSS for tracking, managing and recording UNDSS assets in Atlas.

In the 2013 mid-year certification, the Office reported 114 UNDSS capital assets valued at $1.5 million that were physically verified. However, OAI noted the following weaknesses in managing these assets:

(a)   Inadequate reporting of capital assets

The Office indicated that it only verified and reported UNDSS assets procured by UNDP and recorded these assets against funding code 68100 in Atlas. Despite repeated requests by OAI and the Office, the UNDSS Asset Focal Point did not provide the number and value of the assets received from its Logistics Office in Dubai or the assets cost-shared by different United Nations agencies. These records were also not available at the Office. Therefore, OAI was unable to ascertain whether the Office adequately complied with the provisions in the Memorandum of Understanding. The inadequate reporting of assets was mainly due to the Office's different interpretation of its role in managing UNDSS assets and the lack of cooperation from UNDSS.

The Office also informed the audit team that the physical verification of seven assets ($3,000) in UNDSS provincial offices was not undertaken in 2013, although the Office reported them in the certification letter as physically verified. The Office explained that this was due to the difficulty in coordinating the physical verification exercise with UNDSS and the security restrictions in those provinces.

(b)   Discrepancies not corrected

The Office reported differences of 101 items ($400,000) between the UNDSS assets physically verified and those recorded in Atlas in the certification letters for the 2012 mid-year and year-end certifications, and 2013 mid-year certification. However, at the time of the audit fieldwork, these discrepancies had not been corrected in Atlas. According to the Office, this was due to other competing tasks and the staff responsible had only joined in August 2013.

(c)   Incomplete records of assets

UNDSS records did not include the names of the custodian and the specific locations of the assets. Therefore, identifying the selected 16 assets ($100,000) was challenging and time consuming. The UNDSS Asset Focal Point

explained that he was also attending to other administrative functions, and thus could not provide full attention to managing the UNDSS assets.

Subsequent to the audit fieldwork, the Office communicated with the Administrative Services Division in UNDP Headquarters to (a) seek clarification and guidance on the UNDSS assets to be managed by the Office, and (b) inform the Division of the challenges faced in managing these assets.

Priority	High (Critical)

Recommendation 3:
 	
Ensure compliance with the Programme and Operations Policies and Procedures and the Memorandum of Understanding by:
    (a) ensuring that UNDSS assets are accounted for based on the guidance provided by Administrative Services Division in UNDP headquarters;
    (b) ensuring that discrepancies in the UNDSS asset records in Atlas are corrected on a timely basis within one month after submitting the certification letter; and
    (c) maintaining complete details of UNDSS assets including their specific locations and the names of the custodian.	

Management action plan:
 	
Management advised that:
    (a) It will comply with the guidance provided by the Administrative Services Division (UNDP Headquarters).
    (b) The UNDSS assets discrepancy has now been resolved.
    (c) The UNDSS asset list will be completed including custodian and location information by the end of January 2014.
 	
Estimated completion date: January 2014	

Issue 4   Inadequate management of asset transfers

According to the Programme and Operations Policies and Procedures, the Resident Representative is authorized to dispose of or transfer assets with a net book value of $2,500 per item and up to the amount allowed per the delegated procurement authority. The Office Resident Representative delegated this authority to the Country Director, who further delegated it to the Senior Deputy Country Director (Operations). The Programme and Operations Policies and Procedures also require the Office to maintain proper documentation for assets disposed or transferred.

OAI noted the following control weaknesses in asset transfers:

(a)   Unauthorized asset transfers

Based on the records made available to OAI, the Office staff approved 11 transfer forms completed during the audited period (including 6 transfer forms valued at $500,000 in two projects—00048246 and 00063647). OAI was unable to determine the total value of the assets transferred because some asset values were not reflected in the supporting documents. Also, the Office did not provide evidence that these UNDP staff had the delegation

of authority to approve the asset transfers. The Office explained that signing the transfer forms was only a procedural matter and did not require formal delegation of authority because the transfer of assets was already reviewed by the Contracts, Assets and Procurement Committee or the assets procured were for the use and control of government partners. In OAI's view, however, proper delegation of authority was required in order to avoid situations in which any staff member could simply sign the form and authorize the transfer.

(b)   Missing documentation for asset transfers

During the audit period, the Office transferred 112 laptops ($100,000) from Project 00063078 and 5 soft skin vehicles ($200,000) from Projects 00058936 and 00047111 to government institutions. However, the Office was unable to provide proper supporting documentation such as the completed transfer forms. Additionally, the Office's Administrative Services Unit did not maintain a list of all assets disposed or transferred. This was important when conducting physical verification of assets and reconciling the Office records with those in Atlas regarding asset transfers.

(c)   Standard transfer form not used

The Asset Services Division in UNDP headquarters issued a standard transfer form to be used by country offices when transferring the title of ownership of project assets to the Government. However, the Office had used a different form in which the following standard language was missing: "The transfer of title is limited to the use of such assets solely for the stated purpose of the Project in the manner and place as set out in the Project Document." The Office's form only included a broad statement: "The transfer is affected in accordance with the provision specific in UNDP regulations and guidelines." The Office advised that it was not aware of the standard transfer form.

The lack of formal delegation of authority and proper documentation increased the risk of the Office not being able to hold the staff members (who approved the forms) accountable for proper disposal/transfer of assets. Further, the assets transferred to government institutions may not be used for their intended purpose due to the absence of relevant clauses in the transfer form.

Priority	Medium (Important)

Recommendation 4:
 	
Comply with the Programme and Operations Policies and Procedures requirements by:
    (a) ensuring that only staff members with delegations of authority sign the transfer form;
    (b) ensuring that adequate supporting documents such as transfer forms are maintained; and
    (c) ensuring that a standard transfer form, including the correct wording, is used when transferring assets to government partners.	

Management action plan:
 	
Management advised that:
    (a) It will review the Delegation of Authority and specify the staff who are authorized to sign the various forms;
    (b) All cases have so far been supported with all supporting documents. A consolidated list of assets transferred was not kept as it is not required but it is available in Atlas for all the capital assets. For the remaining assets, the new database will include the required information including maintaining adequate documentation; and	

(c) It has started using the standard transfer form beginning December 2013.

Estimated completion date: February 2014

C. Other issue

Issue 5   Inadequate assurance on the proper use of assets transferred to government institutions

The Programme and Operations Policies and Procedures require Project Managers to ensure that resources entrusted to government institutions are utilized appropriately. Further, the Office's programme unit should conduct spot checks of implementing partners' financial records, including a review of project assets.

OAI noted that the Office had not adequately safeguarded assets or ensured the appropriate use of assets transferred to government institutions. Aside from not maintaining a list of assets transferred, the Office did not monitor or conduct spot checks on the status of these assets. OAI also noted that the audited Statement of Assets of the government partner for Project Nos. 00063078 and 00057970 did not include the 427 assets (valued at $1.5 million) transferred in 2012. The Project's Operations Manager signed the Statement of Assets, but did not respond to OAI's query on how he ensured completeness and validity of the Statement. The Project's Asset Focal Point also indicated that there was no monitoring of the assets transferred to the government partner. In the internal controls audit of this Project, OAI also raised an issue regarding weak project monitoring (Audit Report No. 1169 issued 14 November 2013). The report identified several instances of missing or stolen assets transferred to the Project's government partner and the lack of prompt action by Project Management and the Office to address these issues.

The Administrative Service Manager indicated that assets transferred to government institutions were no longer the Office's assets. Thus, safeguarding these assets and ensuring their appropriate use was the Government's responsibility. Regarding the assets not included in the Statement of Assets, the Project's Asset Focal Point believed that only those assets procured beginning in 2012 should be included in the Statement. However, the standard transfer form clearly stated that the assets should be used solely for the stated purpose of the Project (see Issue 3); therefore, the Office should have ensured compliance with this requirement.

The lack of monitoring and spot checks precluded the Office from ensuring that assets were properly safeguarded and appropriately used as intended.

Priority	Medium (Important)

Recommendation 5:
 	
 Ensure that assets transferred to government institutions are safeguarded and properly used by:
    (a) conducting regular monitoring and spot checks; and
    (b) reviewing the government institution's Statement of Assets for completeness and validity.	

Management action plan: Management informed OAI that the Office Administrative Service Unit only manages assets that are under the control and used by UNDP. However, management acknowledged the need for a mechanism to monitor assets transferred to government institutions and agreed to coordinate with the Project Managers for this	

purpose. Management also planned to explore the possibility of accessing the government institution's statement of assets, and if feasible, develop a standard operating procedure.

Estimated completion date: May 2014

Definitions of audit terms - ratings and priorities

A.   AUDIT RATINGS

- **Satisfactory**   Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.

- **Partially Satisfactory**   Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.

- **Unsatisfactory**   Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B.   PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)**   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.

- **Medium (Important)**   Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.

- **Low**   Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.