



INTERNAL AUDIT DIVISION

AUDIT REPORT 2013/039

Audit of United Nations High
Commissioner for Refugees (UNHCR)
operations in India

Overall results relating to the effective management of UNHCR operations in India were initially assessed as partially satisfactory. Management has implemented all recommendations satisfactorily.

FINAL OVERALL RATING: SATISFACTORY

9 May 2013

Assignment No. AR2012/141/06

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AUDIT REPORT

Audit of United Nations High Commissioner for Refugees (UNHCR) operations in India

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of United Nations High Commissioner for Refugees (UNHCR) operations in India.
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules.
3. The Office of the Chief of Mission (OCM) manages the UNHCR operations in India and was established in 1969 following a request from the Government of India (GOI) for assistance to address the influx of Tibetan refugees. India is not a party to the 1951 Refugee Convention, nor to its 1967 Protocol, and does not have a national refugee protection framework but nonetheless has hosted refugees from neighboring countries. UNHCR operations in India are focused on urban refugees, improving refugee self-reliance and on pursuing durable solutions. OCM also oversees a field office in Chennai, which was established in 1992 to focus on voluntary return of Sri Lankan refugees.
4. OCM had a budget of \$8.3 million in 2011 and \$6.6 million in 2010 and total expenditures of \$7.6 million and \$6.5 million in 2011 and 2010 respectively. In 2012, the budget was \$8.3 million. New Delhi is the cost centre for the budgeting and recording of financial transactions of country office New Delhi and field office Chennai. In July 2012, the operation had 37 posts, of which 36 were filled, 16 UN Volunteers and two international interns. Three national staff and one national UN Volunteer were assigned to field office Chennai. OCM worked with seven Implementing Partners (IPs) in 2011 and 2012 and six in 2010. Of the total programme expenditures for 2011 and 2010 of \$3.8 million and \$3.7 million, respectively, 88 per cent was implemented by seven IPs in 2011 and 82 percent by six IPs in 2010. For the financial periods from 2010 to 2012, four of the seven IPs had a total budget of \$9.9 million or 90 per cent of the total IP budget.
5. Comments provided by the OCM are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

6. The audit was conducted to assess the adequacy and effectiveness of the OCM's governance, risk management and control processes in providing reasonable assurance regarding the **effective management of UNHCR operations in India**.
7. This audit was included in the 2012 risk based annual work plan in agreement with the Bureau for Asia as operations in India were rated as higher risk due to their operational complexity and considerable time gap from the previous audit done in January-February 2002.
8. The key controls tested for the audit were: (a) project management; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Project management** - controls that are designed to provide reasonable assurance that there is accurate and complete monitoring and reporting of OCM project activities, and, project activities have been carried out in compliance with UNHCR policies and procedures.

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures exist to guide OCM operations in budget, finance, and procurement.

9. The key controls were assessed for the control objectives shown in Table 1.

10. OIOS conducted this audit from September to December 2012. The audit covered the period from 1 January 2010 to 30 June 2012.

11. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness. Although no field visit to Chennai was conducted, financial transactions in field office Chennai were recorded in country office New Delhi and were part of the population from which samples were drawn for controls testing.

III. AUDIT RESULTS

12. The OCM's governance, risk management and control processes examined were **partially satisfactory** in providing reasonable assurance regarding **the effective management of UNHCR operations in India**. OIOS made five recommendations in the report to address issues identified in the audit and the OCM has satisfactorily implemented all the recommendations. Project management was assessed as satisfactory. Arrangements were in place for OCM to conduct financial verification of IP Financial Monitoring Report (IPFMR), and IP performance monitoring and reporting of project implementation. Internal controls over IP selection and retention, and the monitoring of payments of subsistence allowance to refugees were in place. OCM arrangements for handling resettlement cases were strengthened. Oversight of IP procurement using IP procurement guidelines was strengthened and a strategy developed for the sustainability of the Koshish fund.

13. The regulatory framework was assessed as satisfactory. Compliance with UNHCR rules on asset management was ensured by the OCM. The management of affiliate work force complied with UNHCR rules. Financial management was strengthened by: (a) utilization of the cash flow module in Managing Systems, Resources and People (MSRP); (b) review of the petty cash level and the individual transaction limit; (c) Implementation of International Public Sector Accounting Standards (IPSAS) concerning the treatment of leases and capital improvements on leased premises; and (d) ensuring that bank reconciliations were done correctly.

14. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **satisfactory** as all recommendations have been implemented satisfactorily.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of UNHCR operations in India	(a) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: SATISFACTORY					

A. Project management

Action taken to strengthen arrangements for financial verification

15. The project financial verification controls were not working effectively as envisaged in the UNHCR rules due to the absence of procedures to guide and monitor the work of staff. As a consequence, the accuracy, completeness and reasonableness of the expenditure items in the IP Financial Monitoring Report (IPFMR) signed by OCM could not be validated because of the following:

- a. In 2012, only one UNHCR financial verification visit was undertaken for an IP with an adverse audit opinion in 2011, which was contrary to the rules which required a more intensive verification for IPs with weak systems.
- b. Bank reconciliations were not systematically reviewed during financial verifications performed.
- c. The criteria for the scope and selection of expenditures for verification were not formally established, based on materiality or nature of expenditure account.
- d. There were no working paper templates to be used by the verification teams evidencing the verification procedures done to support the verification report.

16. OCM put procedures in place in October 2012 subsequent to the audit, under which they (i) carried out regular financial monitoring through verification of each IPFMR especially for the IP identified as having weak systems; (ii) developed and used verification guidelines that included the scope and criteria for selection of expenditures for verification; and, (iii) developed and used working paper templates designed for financial verification. Based on the action taken, no further recommendation is being raised.

Action taken to strengthen conduct and reporting of Implementing Partner (IP) performance monitoring

17. There was also no documentation available to demonstrate that installment payments to IPs were aligned with IP implementation rates and performance. As at 30 June 2012, there were indications of underutilization of budget and underachievement of performance indicators. Budget utilization at two IPs ranged from 31 to 42 per cent of budget allocation, 21 budget lines were without expenditures and underachievement of performance objectives was observed for all project objectives. OCM implemented in February 2013 IP monitoring guidelines and a template, under which staff documented their review of

IPs' narrative reports and implementation rates, including the communication to IPs of the review results and actions required. Based on the actions taken, no additional recommendations are raised.

Action taken to strengthen oversight of Implementing Partner (IP) procurement

18. None of the four IPs tested, which spent 90 per cent of the total IP budget of \$11 million, had properly followed UNHCR IP procurement guidelines. The absence of a monitoring mechanism for the IP procurement meant that OCM had not detected that formal solicitation methods (invitation to bid or request for proposal) had not been followed for procurement exceeding \$5,000. OCM had also not been involved where required in bid opening, and review of the results of the technical and financial evaluations of quotations. Whilst no direct loss to UNHCR was observed, OCM was not in a position to demonstrate best value for money had been obtained from procurement undertaken.

(1) The UNHCR Office of the Chief of Mission in India should put in place a monitoring mechanism to ensure that Implementing Partners (IPs) conduct procurement in accordance with UNHCR IP Procurement Guidelines. This should include as a minimum, monitoring the use of appropriate solicitation documents, bid evaluation and communication of results to bidders.

The UNHCR OCM in India accepted recommendation 1 and stated that guidelines for the Monitoring of Procurement by IPs had been prepared in April 2013. Based on the action taken by the OCM and documentation provided recommendation 1 has been closed.

Implementing Partner (IP) selection and retention was generally done in accordance with relevant rules

19. In 2011, only one IP was selected and added to the pool of IPs. OCM screened the IP using the UNHCR-prescribed checklist in terms of political, environmental, financial and management risks faced by the IP in partnering with UNHCR. OCM also reviewed at the beginning of the year the performance of the existing seven IPs using the UNHCR-prescribed checklist, which resulted in the termination of partnership with two poorly performing IPs. There was however, inadequate consideration given to the magnitude of risk presented by entrusting one IP with approximately 70 per cent of the total budget for the IPs (\$3.3 million budget allocated in 2012). OCM had not carried out an analysis of the capability of this IP to take on additional activities pertaining to refugee assistance programme; or adequately considered the availability of other IPs to carry out the work. OCM's Implementing Partner Management Committee (IPMC) met on 17 December 2012 and decided to continue with the partnership in view of continued need, quality of results and efforts made by the current IP. To mitigate the risk of placing too much reliance on one IP, OCM initiated a review to look for other potential partners for the consideration of the IPMC. In view of the action taken, no additional recommendation is raised.

Monitoring of subsistence allowances was strengthened

20. In compliance with the Urban Refugee Policy, OCM used two IPs to provide \$1.9 million subsistence allowances to refugees between 1 January 2010 and 30 June 2012. Whilst the payment arrangements were satisfactory, OCM had not requested the IPs to provide the hard copies of the final lists used after distribution, and did not check that those who were paid were the same as those on the approved list of beneficiaries provided to the IPs. This gave rise to the risk that names of new or non-existent beneficiaries could be added without OCM's approval, which proved to be the case for the April 2012 payments. OCM reconciled the differences, and to mitigate the risk of future errors, also introduced, in February 2013, a requirement for IPs to submit signed hard copies of lists of refugees who receive subsistence allowances for verification by OCM against lists of approved beneficiaries. In view of the action taken, no additional recommendation is raised.

A strategy was in place for the sustainability for the Koshish fund

21. To reduce the number of refugees dependent on cash assistance, OCM established the Koshish Fund in 2003 with an objective of self-sustainment through sale to the public of items made by refugees. The fund provided employment to about 300 refugees who worked in four production centres making items such as bags, paper plates, key rings, and coats. Instead of receiving monthly subsistence allowances, the 300 refugees earned salaries. As at September 2012, the money raised from sales was about \$150,000, while expenses were around \$900,000, indicating that only 17 per cent of the amount invested by UNHCR into the fund had been recovered. There was no strategy in place for ensuring sustainability of the fund or utilization of the sales proceeds. Tax amounting to \$40,000 had been paid as the fund was not tax exempt. A decision was made in 2010 to use the sales proceeds for the benefit of unaccompanied minors, but only \$12,000 had been utilized for this purpose.

(2) The UNHCR Office of the Chief of Mission in India should formulate a strategy that addresses the future sustainability of the Koshish fund by: (i) building in sustainability approaches from the start; (ii) formulating exit strategies and clearly stating what should happen in the event of the fund's wind-up; and (iii) developing strategies on how to utilize the cash generated from the fund's product sales.

The UNHCR OCM in India accepted recommendation 2 and stated that sustainability and exit strategies were in place and that guidance on the reorientation of the Koshish fund had been provided in writing to the partner. Based on the action taken by the OCM and documentation provided recommendation 2 has been closed.

Action undertaken to process resettlement cases in compliance with United Nations High Commissioner for Refugees (UNHCR) rules

22. OCM arrangements for handling resettlement cases were not in line with UNHCR guidelines, which led to the implementation in November 2012 of the following:

- Local Standard Operating Procedures (SOPs) were updated, to ensure correct processing of resettlement cases;
- An action plan for training of resettlement staff was established.
- To prevent a re-occurrence of fraud cases not being handled correctly, anti-fraud procedures were established which included fraud risk assessment and establishment of a fraud investigation panel; and,
- The local data administrator for the resettlement database (ProGres) was requested to send supervisory staff monthly reports where photos were changed/updated and/or other key data fields changed. This was to assess staff compliance with SOPs, detect instances of irregularities, identify unauthorized changes made to the records by staff members, and identify other suspicious activity in files.

23. Based on the action taken, no additional recommendation is raised.

B. Regulatory framework

Action taken to strengthen controls over management of affiliate workforce

24. The OCM did not comply with UNHCR's 2011 affiliate workforce guidelines in two instances:

- Staff were hired to perform the following functions without approval from Bureau for Asia and the Pacific: receptionist, drivers and office assistants.
- OCM paid \$150,000 to refugee interpreters. These interpreters were engaged without a contract, as the Government of India did not permit refugees to work. They were paid a monthly wage and used continuously without a break, though UNHCR guidelines only allowed refugee interpreters to work continuously for nine months in a 12-month period.

(3) The UNHCR Office of the Chief of Mission in India should strengthen controls over the management of affiliate workforce by ensuring that: (i) additional workforce arrangements for office support staff are compliant with the 2011 affiliate work force guidelines and that any exceptions are submitted through the Bureau for Asia and the Pacific to the Division of Human Resources Management (DHRM); and (ii) the use of refugee interpreters is consistent with the requirements of the 2011 affiliate work force guidelines.

The UNHCR OCM in India accepted recommendation 3 and stated that the exceptions noted were submitted through the Bureau to the DHRM and that new arrangements for interpretation services were in place as of 1 April 2013. Based on the action taken by the OCM and documentation provided recommendation 3 has been closed.

Action taken to strengthen controls over cash management

25. OCM prepared and reported to UNHCR Finance Control Section the bank reconciliations on a monthly basis with reconciling items duly noted, as required. The review of bank reconciliations for December 2011 and June 2012 did not disclose any weaknesses. However, the review of petty cash and cash flow forecasting disclosed that:

- a. Due to lack of training, the cash flow forecasting module of the MSRP enterprise resource planning software was not used and cash forecasting was done manually. Whilst no error was detected, this increased the risk of human error and data was not available for review at a corporate level to assist management decision making.
- b. Periodic review of the reasonableness of petty cash balance and disbursement limit, and occurrence of petty cash disbursements was not carried out resulting in holding excessive cash balances. The size of the petty cash imprest and individual disbursement limit needed review. Since 27 April 2011, the petty cash level in New Delhi office was authorized at INR 175,000 (\$3,889) and individual cash payment limit at INR 22,500 (\$500). However, from January to August 2012, a single replenishment of petty cash did not reach INR 100,000 (\$2,222). For the period from 1 to 12 September 2012, individual payment did not reach INR 11,000 (\$245). The excessive petty cash holding deprived OCM of the use the cash in other operational activities.

(4) The UNHCR Office of the Chief of Mission in India should put in place an action plan outlining full compliance with the control arrangements on cash management, including (i) periodic review on the reasonableness of the petty cash balance and individual disbursement limit; and (ii) training of staff for the preparation of cash flow forecast in the Managing Systems, Resources and People system.

The UNHCR OCM in India accepted recommendation 4 and stated that a request to reduce the petty

cash imprest and individual cash payment had been sent to the Division of Financial and Administrative Management (DFAM) and that staff had been trained on cash flow forecasting in MSRP. Based on the action taken by the OCM and documentation provided recommendation 4 has been closed.

Guidance was obtained from headquarters on the accounting treatment for lease agreements and capital improvement on leased premises

26. OCM completed and submitted the templates prescribed by UNHCR Headquarters on the IPSAS-related instructions relating to physical inventory of property, plant and equipment; lease agreements; surveys on capital improvements; and restoration costs on land and buildings. Staff had completed the mandatory IPSAS on-line training but were still not able to satisfactorily handle the following issues due to lack of local expertise:

- there was no required analysis on whether four lease agreements qualified as operating or financial leases;
- the security deposit of \$98,901 on OCM leased premises was charged to rent expense instead of deposits with suppliers account; and,
- recognition of capital improvements and restoration costs on OCM and IP leased land and buildings had not been made, which resulted in the expensing of a total of \$218,976 relating to capital improvements.

(5) The UNHCR Office of the Chief of Mission in India should seek the advice of the Division of Financial and Administrative Management to determine the appropriate accounting treatment for the lease agreements and capital improvement on leased premises in accordance with the International Public Sector Accounting Standards; and on the reclassification of security deposits from rent expense to deposits with suppliers.

The UNHCR OCM in India accepted recommendation 5 and stated that: (i) DFAM confirmed all lease agreements are operating leases. Lease commitments had been properly disclosed in the financial statements in accordance with terms of the lease agreement. Restoration costs incurred under a previous lease were correctly determined as expense; (ii) Expenses amounting to \$108,702 were identified as leasehold improvements and capitalized in 2012; and (iii) Security deposit expensed in 2011 and had now been properly reflected as deposit with suppliers under GL 240034. Based on the action taken by the OCM and documentation provided recommendation 5 has been closed.

Adequate arrangements were in place for conduct of asset management in compliance with United Nations High Commissioner for Refugees (UNHCR) rules

27. OCM had nine Property, Plant and Equipment (PPE) items with a net book value of \$49,194, which were accounted for in MSRP and in the asset report as at 3 September 2012. OCM conducted physical verifications in September 2012, October 2011 and December 2010 as required by the UNHCR rules of PPE physical verification. OIOS physically verified six items in the 2012 asset report. Serially-tracked items were tested and found to be in order.

IV. ACKNOWLEDGEMENT

28. OIOS wishes to express its appreciation to the Management and staff of the Office of the Chief of Mission in India for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of United Nations High Commissioner for Refugees (UNHCR) operations in India

Recom. no.	Recommendation	Critical ¹ / important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
1	The UNHCR Office of the Chief of Mission in India should put in place a monitoring mechanism to ensure that Implementing Partners (IPs) conduct procurement in accordance with UNHCR IP Procurement Guidelines. This should include as a minimum, monitoring the use of appropriate solicitation documents, bid evaluation and communication of results to bidders.	Important	C	Implemented	
2	The UNHCR Office of the Chief of Mission in India should formulate a strategy that addresses the future sustainability of the Koshish fund by: (i) building in sustainability approaches from the start; (ii) formulating exit strategies and clearly stating what should happen in the event of the fund's wind-up; and (iii) developing strategies on how to utilize the cash generated from the fund's product sales.	Important	C	Implemented	
3	The UNHCR Office of the Chief of Mission in India should strengthen controls over the management of affiliate workforce	Important	C	Implemented	

1 Critical recommendations address significant and/or pervasive deficiency or weakness in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

2 Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

3 C = closed, O = open

4 Date provided by the OCM in India in response to recommendations.

Recom. no.	Recommendation	Critical ¹ / important ²	C/ O ³	Actions needed to close recommendation	Implementation date ⁴
	by ensuring that: (i) additional workforce arrangements for office support staff are compliant with the 2011 affiliate work force guidelines and that any exceptions are submitted through the Bureau for Asia and the Pacific to the Division of Human Resources Management (DHRM); and (ii) the use of refugee interpreters is consistent with the requirements of the 2011 affiliate work force guidelines.				
4	The UNHCR Office of the Chief of Mission in India should put in place an action plan outlining full compliance with the control arrangements on cash management, including (i) periodic review on the reasonableness of the petty cash balance and individual disbursement limit; and (ii) training of staff for the preparation of cash flow forecast in the Managing Systems, Resources and People system.	Important	C	Implemented	
5	The UNHCR Office of the Chief of Mission in India should seek the advice of the Division of Financial and Administrative Management to determine the appropriate accounting treatment for the lease agreements and capital improvement on leased premises in accordance with the International Public Sector Accounting Standards; and on the reclassification of security deposits from rent expense to deposits with suppliers.	Important	C	Implemented	

AUDIT RECOMMENDATIONS

Audit of the UNHCR operations in India – response to Draft Audit Report

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Office of the Chief of Mission in India should put in place a monitoring mechanism to ensure that Implementing Partners (IP) conduct procurement in accordance with UNHCR IP Procurement Guidelines. This should include as a minimum, monitoring the use of appropriate solicitation documents, bid evaluation and communication of results to bidders.	Important	Yes	Senior Programme / Admin Officer	5 April 2013	Guidelines for the Monitoring of Procurement by IPs enclosed as Annex I
2	The UNHCR Office of the Chief of Mission in India should formulate a strategy that addresses the future sustainability of the Koshish fund by: (i) building in sustainability approaches from the start; (ii) formulating exit strategies and clearly stating what should happen in the event of the fund's wind-up; and (iii) developing strategies on how to utilize the cash generated from the fund's product sales.	Important	Yes	Senior Programme / Admin Officer	4 April 2013	Points (i) and (ii) had already been addressed. Re point (iii) Copy of letter to the IP providing guidance on the reorientation of the Koshish fund enclosed as Annex II

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Rec. no.	Recommendation	Critical¹/ Important²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
3	<p>The UNHCR Office of the Chief of Mission in India should strengthen controls over the management of affiliate workforce by ensuring that:</p> <p>a. Additional workforce arrangements for office support staff are compliant with the 2011 affiliate work force guidelines and that any exceptions are submitted through the Bureau for Asia and the Pacific to the Division of Human Resources Management (DHRM); and</p> <p>b. The use of refugee interpreters is consistent with the requirements of the 2011 affiliate work force guidelines.</p>	Important	Yes	Senior Programme / Admin Officer	<p>a. 4 April 2013</p> <p>b. 1 April 2013</p>	<p>a. Copy of submission of exceptions to the Bureau/DHRM enclosed as Annex III</p> <p>b. New arrangements for interpretation services in place as of 1 April 2013. Revised IP agreement is enclosed as Annex IV</p>
4	<p>The UNHCR Office of the Chief of Mission in India should put in place an action plan outlining full compliance with the control arrangements on cash management, including (i) periodic review on the reasonableness of the petty cash balance and individual disbursement limit; and (ii) training of staff for the preparation of cash flow forecast in the Managing Systems, Resources and People.</p>	Important	Yes	Senior Programme / Admin Officer	<p>i. 4 April 2013</p> <p>ii. 12 and 15 April 2013</p>	<p>i. Copy of request to DFAM to decrease the petty cash limit enclosed as Annex V</p> <p>ii. Copies of cash flow forecast training certificates enclosed as Annex VI</p>
5	<p>The UNHCR Office of the Chief of Mission in India should seek the advice of the Division of Financial and Administrative Management to determine the appropriate accounting treatment for the lease agreements and capital improvement on leased premises in accordance with the International Public Sector Accounting Standards; and on the reclassification of security deposits from rent expense to deposits with suppliers.</p>	Important	Yes	Senior Programme / Admin Officer	(i) 16 April 2013	<p>UNHCR India sought DFAM's advice and action has been taken as follows:</p> <p>(i) DFAM confirmed all lease agreements are operating leases. Copy of communication enclosed as Annex VII. Lease commitments have been properly disclosed in the financial statements in</p>

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
					<p>(ii) 07 Feb 2013</p> <p>(iii) 25 Feb 2013</p>	<p>accordance with terms of the lease agreements. Restoration costs incurred under a previous lease were correctly determined as expense.</p> <p>(ii) Expenses amounting to USD 108,702 were identified as leasehold improvements and were capitalized in 2012. Copy of communication and breakdown of expenses enclosed as Annexes VIII and IX respectively.</p> <p>(iii) Security deposit was expensed in 2011 and is now properly reflected as deposit with suppliers GL 240034. Copy of communication enclosed as Annex X.</p>