



**OIOS**

Office of Internal Oversight Services

## **INTERNAL AUDIT DIVISION**

# **AUDIT REPORT**

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## **UNHCR Operations in Thailand**

**Corrective action is required to address the weaknesses in internal control over procurement and asset management**

**11 December 2008**

**Assignment No. AR2008/147/01**

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United Nations  Nations Unies

INTEROFFICE MEMORANDUM

MEMORANDUM INTERIEUR

OFFICE OF INTERNAL OVERSIGHT SERVICES - BUREAU DES SERVICES DE CONTRÔLE INTERNE  
INTERNAL AUDIT DIVISION - DIVISION DE L'AUDIT INTERNE

TO: Mr. António Guterres, High Commissioner  
A. Office of the United Nations High Commissioner for  
Refugees

DATE: 11 December 2008

REFERENCE: IAD: 08- 02038

FROM: Dagfinn Knutsen, Director  
DE: Internal Audit Division, OIOS



SUBJECT: **Assignment No. AR2008/147/01 – Audit of UNHCR Operations in Thailand**

OBJET:

1. I am pleased to present the report on the above-mentioned audit.
2. Based on your comments, we are pleased to inform you that we will close recommendations 2, 5, and 7 in the OIOS recommendations database as indicated in Annex 1. In order for us to close the remaining recommendations, we request that you provide us with the additional information as discussed in the text of the report and also summarized in Annex 1.
3. Please note that OIOS will report on the progress made to implement its recommendations, particularly those designated as high risk (i.e., recommendations 3, 4, and 8), in its annual report to the General Assembly and semi-annual report to the Secretary-General.

cc: Mr. L. Craig Johnstone, Deputy High Commissioner, UNHCR  
Ms. Judy Cheng-Hopkins, Assistant High Commissioner, UNHCR  
Ms. Karen Madeleine Farkas, Controller and Director, DFAM, UNHCR  
Ms. Maha Odeima, Audit Coordinator, UNHCR  
Mr. Swatantra Goolsarran, Executive Secretary, UN Board of Auditors  
Ms. Maria Gomez Troncoso, Officer-in-Charge, Joint Inspection Unit Secretariat  
Ms. Christina Post, Administrative Officer, Oversight Support Unit, DM  
Mr. Byung-Kun Min, Programme Officer, OIOS  
Mr. Anders Hjertstrand, Chief, Geneva Audit Service, OIOS

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## INTERNAL AUDIT DIVISION

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### FUNCTION

*“The Office shall, in accordance with the relevant provisions of the Financial Regulations and Rules of the United Nations examine, review and appraise the use of financial resources of the United Nations in order to guarantee the implementation of programmes and legislative mandates, ascertain compliance of programme managers with the financial and administrative regulations and rules, as well as with the approved recommendations of external oversight bodies, undertake management audits, reviews and surveys to improve the structure of the Organization and its responsiveness to the requirements of programmes and legislative mandates, and monitor the effectiveness of the systems of internal control of the Organization” (General Assembly Resolution 48/218 B).*

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## **EXECUTIVE SUMMARY**

### **Audit of UNHCR Operations in Thailand**

OIOS conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Thailand. The overall objective of the audit was to assess the adequacy and effectiveness of internal controls in programme management, supply chain management and administration and finance. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.

OIOS assessed the internal controls of the operations in Thailand by reviewing records relating to activities implemented during 2006 and 2007 with total expenditure of \$16 million. The system of internal controls at UNHCR in Thailand was assessed as average. Although the majority of key controls were being applied, the application of certain important controls lacked consistency or effectiveness. In order not to compromise the overall system of internal control, timely corrective action by management is required.

At the request of the UNHCR Regional Representation in Thailand (ROTHA), OIOS reviewed the utilization of funds donated by the "Solidarity Funds" totalling approximately \$1.6 million in 2006 and \$1.5 million in 2007, channelled to Myanmar refugees through two main implementing partners (ZOA Vluchtelingen zorg and the Catholic Office for Emergency Relief and Refugees), and through ROTHA. OIOS assessed that the management of the "Solidarity Funds" was generally satisfactory, except for the funds disbursed through ZOA, representing 28 percent and 38 percent of the funds in 2006 and in 2007 respectively.

For ZOA, an international implementing partner, proper authorization and approval of expenditure could not always be evidenced. The methodology used for the apportionment of the common costs totalling some \$100,000 was not transparent, and expenditure totalling \$11,000 was charged to UNHCR for activities that did not take place, resulting in an overstatement of the 2007 financial report. Also, there was not always evidence of competitive bidding, and the supporting documentation was often inadequate.

ROTHA needed to improve its programme management. Project financial and performance monitoring reports were often unavailable, the expected contributions to the projects from international implementing partners in receipt of overhead support costs were not substantiated and verified by UNHCR, and external audit recommendations were not adequately followed up.

The management of assets also required attention from the Regional Representation. Assets procured under the Administrative Budget were generally adequately tracked and managed, while those assets procured under programme funds, which by far were the most significant, were not monitored. The UNHCR asset management system was not up-to-date; no comprehensive physical inventory had been carried out for years, and Right of Use Agreements were not prepared and signed for any of the assets in the custody of implementing partners, thereby exposing UNHCR to possible disputes over ownership.

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## I. INTRODUCTION

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Office of the United Nations High Commissioner for Refugees (UNHCR) operations in Thailand. The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing.
2. Thailand is not part of the 1951 Refugee Convention, however in the last three decades Thailand has provided asylum to some 1.2 million refugees. As of January 2008, UNHCR has identified and is assisting some 140,000 people of concern, of which some 99 per cent are Myanmar nationals. Most of the refugees have been living within the confines of the camps for decades, and cannot work legally in the country.
3. In 2008, UNHCR'S key targets, among others, are to maximize the use of resettlement as a protection tool, a durable solution and a responsibility sharing mechanism; to improve the administration of justice system in camps; to promote income-generating activities, non-formal education and vocational training in refugee camps; and to facilitate support and monitoring for children and women living in the camps.
4. In 2007, the Regional Representation was working with 18 partners in nine camps located along the border with Myanmar. At the time of the audit, the number of staff working for the UNHCR Operations in Thailand was 175. This included staff on regular posts, interpreters, project staff and Junior Professional Officers. There were no vacant posts.
5. Comments made by UNHCR are shown in *italics*.

## II. AUDIT OBJECTIVES

6. The purpose of the audit was to assess the adequacy and effectiveness of internal controls in programme management, supply chain management and administration and finance. The main objectives of the audit were to assess:
    - (a) Effectiveness and efficiency of arrangements for programme management including monitoring of implementing partners;
    - (b) Reliability and integrity of financial and operational reporting as well as information available in Management Systems Renewal Project (MSRP);
    - (c) Safeguarding of UNHCR assets against loss, misuse and damage due to waste, abuse, mismanagement, error, fraud and irregularities; and
    - (d) Compliance with regulations and rules, Letters of Instructions, and Sub-agreements.
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### **III. AUDIT SCOPE AND METHODOLOGY**

7. The audit reviewed the 2006 and 2007 programme activities under projects 06 & 07/AB/THA/CM/200 and 07/AB/THA/CM/202 with a combined total spending authority of \$11.8 million and expenditure of \$10.8 million. The review focused on the activities implemented by the two largest implementing partners, Catholic Office for Emergency Relief and Refugees (COERR) and ZOA Vluchtelingen zorg/Refugee Care (ZOA), which together accounted for about 50 percent of the expenditure incurred by implementing partners. The audit also reviewed the administration of the UNHCR Regional Office in Thailand (ROTHA) with administrative expenditures totalling \$2.1 million for the years 2006 and 2007, and assets with acquisition cost totalling \$2.1 million and current value of \$0.7 million.

8. OIOS also included in the scope a request from ROTHA to review the utilization of funds donated by the "Solidarity Funds", which were channelled to Myanmar refugees mainly through COERR and ZOA (56 per cent in 2006 and 78 per cent in 2007), under Sub-Projects 06/AB/THA/CM/200 and 07/AB/THA/CM/202, and through ROTHA (20 per cent) under its 2006 and 2007 Administrative Budget (ABOD).

9. The audit methodology comprised: (a) review of policies and procedures, administrative guidelines and data available in MSRP, (b) interviews with responsible personnel; (c) analysis of applicable data; (d) physical verification and assessment of the effectiveness of controls; and (e) observation and verification of processes, as appropriate.

### **IV. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **A. Review of implementing partners**

10. For the two partners reviewed, reasonable assurance could only be taken that UNHCR funds provided to COERR were properly accounted for and disbursed in accordance with the Sub-Project Agreements. OIOS' findings relating to partners are outlined below.

11. Audit certificates for 2006 and 2007 were available for all partners, with qualified opinion expressed for ZOA mainly due to weaknesses in internal control and cash management.

#### **ZOA Vluchtelingen zorg/Refugee Care (ZOA)**

12. OIOS reviewed projects 06/AB/THA/CM/200 and 07/AB/THA/CM/202 implemented by ZOA, totalling Baht 16 million (\$533,000) and Baht 19.5 million (\$650,000) respectively, both of which were funded by the "Solidarity Funds". The final 2006 and 2007 Sub-Project Monitoring Reports (SPMRs) were satisfactorily reconciled to ZOA's books of account. OIOS assessed, however,

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that financial management and internal controls at ZOA needed some improvement.

13. Payment vouchers were not consistently used; hence proper approval of payments could not always be evidenced. For example, a payment of Baht 165,200 (\$5,206) was made on 6 November 2007 for textbook printing, with no evidence of approval of the expenditure (no purchase order, no payment voucher, etc). The only supporting documents were the invoice and bank transfer order. There were many such examples, which meant that ineligible expenditure might have been charged to UNHCR. Indeed, OIOS found that the final 2007 SPMR was overstated by a total of Baht 358,438 (\$11,562). The over-charge pertained to programme activities that had not been implemented; hence no expenditure was actually incurred. ZOA explained that the external auditors had also made this finding, and that a refund would be made to UNHCR through their revised 2007 SPMRs, which would increase the unspent balance from Baht 275,561 (\$9,185) to Baht 633,999 (\$21,133).

14. Also, in ZOA's own assessment, their accounting software was complicated, and did not satisfy their reporting requirements. In 2007 alone, four Financial Coordinators had left ZOA, which could explain the deficiencies noted in the area of finance and procurement. ZOA explained that the high staff turnover was due to the heavy workload associated with the difficulties experienced in using the accounting software, and that the current system was recently re-designed to better fit ZOA's financial management and reporting requirements.

#### **Recommendation 1**

**(1) The UNHCR Regional Representation in Thailand should request ZOA to ensure that the root cause of the frequent changes in finance staff is identified and addressed. Also, ZOA should ensure that payment vouchers are systematically used, evidencing proper authorization and approval of expenditure.**

15. *The UNHCR Regional Representation in Thailand accepted recommendation 1 and stated that ZOA has reinstalled its financial information system, with changes that have reduced unnecessary workload and have allowed for accurate reporting, and that this was confirmed by the UNHCR Programme staff during a verification exercise carried out in July 2008. The Regional Representation also provided evidence that the overstatement found in the 2007 final SPMR has been adjusted, and the funds have been recovered from ZOA.* OIOS acknowledges the actions taken by ZOA but notes that the issue relating to the lack of proper authorization of the expenditure has not been addressed. Recommendation 1 remains open pending the confirmation by the Regional Representation that ZOA has strengthened its internal controls in the area of authorization and approval of expenditure.

16. Operational costs are normally budgeted in the sector where the primary activity takes place (against fully identifiable budget line items). Those costs that

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cannot be attributed to any particular sector are normally budgeted under Sector P. OIOS found, however, that much of the expenditure reported in the 2006 and 2007 final SPMRs originated from allocated common costs (totalling over \$100,000) to various donors including UNHCR, and were not always posted against the appropriate sectors and budget lines in the financial reports (SPMRs). This was the case, for example for Sectors I98 “Education” and I31 “Vocational skill training”. The original documentation supporting the expenditure (prior to the allocation) was not always available; as a result the expenditure could not always be substantiated.

17. Further, OIOS assessed that the methodology used for the apportionment of the common costs to each donor was cumbersome and less than transparent; the expenditure was often only supported by adjusting journal entries. Under the two projects (06/AB/THA/CM/200 and 07/AB/THA/CM/202), ZOA apportioned common costs totalling Baht 3.1 million (\$101,000), without consulting and obtaining UNHCR’s prior approval. To ensure transparency and fairness, OIOS advised that ZOA should reach an agreement with UNHCR on the methodology to be used for allocating common costs such as communications, utilities, office supplies, office rental, salaries etc.

#### **Recommendation 2**

**(2) The UNHCR Regional Representation in Thailand should agree with ZOA on the common costs sharing methodology and ensure that UNHCR’s share is verified during regular project financial monitoring visits.**

18. *The UNHCR Regional Representation in Thailand accepted recommendation 2 and stated that a new cost sharing system was discussed with, and implemented by ZOA, which has reduced the difficulties in allocating costs to donors. The new cost sharing system was verified by UNHCR Programme staff during a verification exercise in July 2008.* Based on the action taken by the Regional Representation, recommendation 2 has been closed.

19. OIOS assessed that ZOA’s local procurement procedures were not satisfactory, and lacked transparency in many instances. For example, on 30 October 2006 ZOA procured generators under project 06/AB/THA/CM/200 for Baht 349,739 (\$11,000), but only a receipt and copy of the cheque were available to support the payment. There was no evidence of competitive bidding, no purchase order was issued, and there was no evidence of the receipt of goods. There were many such examples, which suggested that the practice was more the rule than the exception.

#### **Recommendation 3**

**(3) The UNHCR Regional Representation in Thailand should request ZOA to adequately document their procurement transactions and to ensure compliance with the requirement for competitive bidding, in accordance with UNHCR guidelines. In future, any expenditure inadequately**

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**supported should be rejected and the funds recovered accordingly.**

20. *The UNHCR Regional Representation in Thailand accepted recommendation 3 but did not provide any information on the actions taken to address the recommendation.* Recommendation 3 remains open pending the verification and confirmation by the Regional Representation that ZOA has been reminded of UNHCR requirements to comply with the relevant procurement procedures, in accordance with UNHCR guidelines.

21. Despite the various shortcomings in the areas of accounting and procurement, there was a general satisfaction among the stakeholders with ZOA's project implementation and performance. ZOA activities were highly appreciated in the camps and ZOA had successfully maintained good relations with camp managers. OIOS was able to confirm this during its visit of the refugee camps and discussions with various refugees.

Catholic Office for Emergency Relief and Refugees (COERR)

22. COERR implemented Sub-Projects 06 & 07/AB/THA/CM/200(e) with expenditure totalling some \$1.7 million, and Project 07/AB/THA/CM/202 with expenditure of some \$0.7 million, of which \$1.2 million were funded by the "Solidarity Funds". OIOS assessed that the accounting system was satisfactory and that adequate internal controls were in place and were operating effectively. The expenditure was generally well supported, but improvement was required over procurement activities.

23. COERR was entrusted with procurement totalling some \$0.4 million under the 2006 and 2007 sub-projects, though COERR was not pre-qualified for procurement on behalf of UNHCR. This meant that any procurement to be undertaken by COERR under the sub-agreements should have complied with UNHCR's Implementing Partner procurement guidelines. COERR had its own procurement manual, which was generally in line with UNHCR procurement procedures. However, although the manual required that procurement above Baht 200,000 (\$6,600) be subject to formal bidding and review by the Committee on Contracts, it did not specify this committee's composition. OIOS also noted that COERR's Contracts Committee was established on an ad hoc basis only, and that competition among vendors was not always documented; exceptions to the use of competitive biddings were often not justified in the file.

24. For example, in 2006 and 2007 COERR procured trucks and a Toyota "pick-up" for a total of some \$100,000. A quotation was obtained from one vendor only, with no evidence of any meeting of the Contracts Committee. COERR explained that Toyota Thailand was the sole distributor of Toyota in the country, but this fact was not documented in the file, nor did it justify the lack of meetings by the Committee on Contract. In another example, in December 2007 COERR paid \$20,932 for road works, with only two quotations obtained. This was also the case with the purchase of a Bio Gas compost maker made in December 2007 for \$10,000, which had not been subject to any competitive

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bidding. COERR stated that time constraints were the reasons for the lack of competition.

25. COERR charged UNHCR a share of their common costs (office supplies, maintenance & repairs, utilities, office equipment, etc), prorated on the basis of the previous annual budget provided by each donor. This cost sharing methodology had not been agreed with UNHCR, and for 2006 and 2007 for example, this translated into UNHCR being charged 29 percent and 39 percent of COERR's common costs. OIOS was of the view that an agreement with COERR should be reached on the calculation methodology. In order to reduce its share of common costs UNHCR should refrain from delegating the procurement of goods or services to COERR, such as the local purchase of vehicles for \$100,000.

#### **Recommendation 4**

**(4) The UNHCR Regional Representation in Thailand should request Catholic Office for Emergency Relief and Refugees to comply with the competitive bidding requirements, with any exceptions duly justified and kept in a note for the file. Also, significant procurement of assets should be carried out by the UNHCR Regional Office in Thailand when possible, in order to achieve cost savings and efficiency.**

26. *The UNHCR Regional Representation in Thailand accepted recommendation 4 and indicated that COERR has held a workshop for all field staff involved in finance, logistics and administration to address financial and procurement issues. On procurement, COERR has ensured that at least 3 quotations are obtained beginning in June 2008. ROTHHA did not, however, address the part of the recommendation relating to the self procurement of goods or services when such an option is more cost effective. OIOS reiterates that the responsibility for procurement of goods or services should remain with the ROTHHA for those instances where the costs and benefits associated with direct procurement by UNHCR shows that it is more cost-effective and efficient to do so. Recommendation 4 remains open pending the receipt of assurances from the Regional Representation that for future sub-agreements, consideration would be given to direct procurement by the office when it more cost effective to do so.*

## **B. General programme matters**

### Project monitoring

27. OIOS assessed that some improvement was required in the area of project financial and performance monitoring. No monitoring reports were prepared following the monitoring visits to implementing partners, and for the few cases where such reports were available, there was no evidence that ROTHHA had verified the performance of the partner against the objectives and milestones set in the sub-project agreements. The UNHCR Field Office in Mae Sot justified this by the lack of proper guidance from ROTHHA. The weaknesses noted with implementing partners (such as the overcharges made by ZOA for project

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activities that did not take place) clearly called for increased project monitoring by ROTHHA. There was also a need to establish a schedule of coordinated monitoring visits by programme staff at ROTHHA and at Field Offices.

#### **Recommendation 5**

**(5) The UNHCR Regional Representation in Thailand should introduce proper and systematic project financial and performance monitoring procedures, and ensure that the progress of project implementation is in line with the level of expenditure incurred. Further, monitoring reports should be prepared and kept on file, with any issues arising from the reviews appropriately followed up and documented.**

28. *The UNHCR Regional Representation in Thailand accepted recommendation 4 and indicated that a financial verification plan has been devised for 2008. The Regional Representation also stated financial verification notes have been written and kept on file, and that an Associate Field Officer has been appointed as the focal point for assisting in verifications for partners whose head offices are located in Mae Sot and Mae Sariang to ensure closer financial and performance monitoring. Based on the action taken by the Regional Representation, recommendation 5 has been closed.*

29. UNHCR Manual (Chapter 4, Part 5.1, Section 4) states the policy on “overhead support costs” for international implementing partners. The provision for the headquarters support cost of implementing partners is meant to cover all project-related support costs at headquarters, and to be eligible, the partner must make a significant and quantifiable contribution from its own resources to the individual project or country/regional operation. This should be an amount at least sufficient to offset UNHCR’s contribution. OIOS found no evidence of any monitoring of the contributions, if there were any, made by those implementing partners in receipt of overhead cost contributions.

30. ZOA, for example, received seven per cent Headquarters support costs under project 07CM202 totalling Baht 933,875 (\$31,129) and 6 per cent under project 06CM200 totalling Baht 556,955 (\$18,565). However ZOA informed OIOS that it had not been made aware of the requirement to contribute to the project with its own resources. ZOA could not provide evidence or quantify its financial or in-kind contributions (if any) to the projects, which meant that expenditure totalling \$49,694 (\$31,129 + \$18,565) charged to the final 2006 and 2007 SPMRs and representing ZOA’s overhead support costs could be ineligible, and subject to refund to UNHCR.

#### **Recommendation 6**

**(6) The UNHCR Regional Representation in Thailand should review together with those partners in receipt of overhead support costs, their level of financial and/or in-kind contributions to the projects. If no contributions were made, or if these were not sufficient to offset the overhead support**

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**costs provided to them, a recovery should be sought accordingly. Also, the UNHCR Regional Representation should, in future, ensure that the financial and/or in-kind contributions expected from international implementing partners in receipt of overhead support costs are monitored.**

31. *The UNHCR Regional Representation in Thailand accepted recommendation 6 and indicated that the recommendation would be implemented by mid-2009.* Recommendation 6 remains open pending the verification and confirmation by the Regional Representation that implementing partners in receipt of overhead support costs have made sufficient contributions to the projects, or that a refund has been obtained from them.

#### Audit certification

32. The Representation generally complied with UNHCR's audit certification process. Audit certificates were received for all implementing partners falling within the criteria for external audit. OIOS met the external audit team to discuss their audit coverage and their main findings. Unqualified audit opinion was given to all partners except for ZOA, which received qualified opinion for the projects implemented in 2005 and 2006. The external audit team informed OIOS of the weaknesses noted in ZOA's cash management, mainly its practice of making excessive cash payments, and non-compliance with the procurement guidelines. Although ZOA, in response to the audit recommendations, had given assurance to ROTHA that new internal controls had been put in place with the aim of reducing cash payments, the external auditors pointed out that the situation had actually not been fully corrected in 2007, despite follow up letters from ROTHA. OIOS had indeed noted this during the review, and although the situation had somewhat improved in 2008, ROTHA still needed to more closely monitor the actual implementation of audit recommendations.

#### **Recommendation 7**

**(7) The UNHCR Regional Representation in Thailand should monitor more closely the actual implementation of the external auditors' recommendations through the quarterly project financial monitoring visits.**

33. *The UNHCR Regional Representation in Thailand accepted recommendation 7 and stated that programme staff along with the assistance of the Mae Sot Associate Field Officer would ensure that audit recommendations are monitored on a quarterly basis.* Based on the Regional Representation's response, recommendation 7 has been closed.

34. *The Regional Representation provided overall comments regarding the deficiencies noted in the area of programme management, and stated that Recommendation 19 of a report from an inspection mission carried out in November 2005 had pointed out to the need for the office to reinforce its staffing in the Programme Unit to deal with the increase in programme budgets. The*

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*composition of staff in the programme unit in Bangkok at the time of the OIOS audit in March 2008 had basically not changed since the time of the Inspection Mission in November 2005. On the other hand, the programme budget continued to expand (the final operational budgets were \$4.8 mil for 2005, \$5.2 mil for 2006, \$8.7 mil for 2007). In this context human resources were stretched to the limit, thus resulting in inefficiencies and gaps in compliance in programming as observed by the OIOS audit. ROTHHA further indicated that for 2009, the staffing situation does not seem to improve as offices have been requested to cut staff posts. The Representation further said that it would nonetheless strive to streamline the responsibilities and work of its programme staff so that programme requirements can be met.*

### **C. Supply management**

#### Asset management

35. OIOS noted that the responsibility for the management of assets was vested in two different staff members: Assets purchased under the ABOD were managed by the information technology (IT) technician, while those assets procured under Programme funds were managed by the Senior Programme Assistant. OIOS assessed that this arrangement had led to disparities in the attention given to assets. Assets purchased under the Administrative Budget and Obligation Document (ABOD) were generally up-to-date in the MSRP system. The last comprehensive physical inventory was carried out in May 2007, with updates made in MSRP accordingly.

36. For assets procured under Programme funds, which were by far the most significant, no comprehensive physical inventory had been carried out for some years. There was no systematic follow up and tracking of assets directly procured by implementing partners. The review showed that many of the assets were neither bar-coded nor recorded in the MSRP system. For example, none of the assets purchased by ZOA during 2007 had been bar-coded and recorded.

37. ROTHHA explained that the split in the responsibility for asset management was due to the significant workload involved and the lack of adequate resources. Since no one staff member could be fully dedicated to asset management activities, the function had to be split between two staff members. However, the arrangement had only resulted in disparate treatment of UNHCR assets, leaving the most significant part of the assets inadequately unaccounted for. In OIOS' view, the responsibility for asset management should be vested in one officer, with assistance from designated staff, so as to ensure uniformity in the treatment of ROTHHA's assets.

38. UNHCR Manual, Chapter 4, Appendix 10 requires that an Agreement for the Receipt and the Right of Use be signed by all implementing partners upon receipt of UNHCR's assets, including those directly purchased by partners with UNHCR funds. OIOS found that ROTHHA did not comply with this requirement. No Right of Use Agreement had been signed for any of the assets in the custody of implementing partners. In OIOS' opinion the lack of a Right of Use Agreement can expose UNHCR to possible disputes over ownership.

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## Recommendation 8

**(8) The UNHCR Regional Office in Thailand should designate a single focal point for asset management and ensure that a comprehensive physical inventory of UNHCR assets is conducted as soon as possible, including those assets in the custody of implementing partners, and updated in the Management System Renewal Project database accordingly. Right of use agreements should be prepared for those assets in the custody of partners.**

39. *The UNHCR Regional Representation in Thailand accepted recommendation 8 and stated that a physical check of UNHCR assets under the custody of implementing partners located in Bangkok has been conducted, and that Right of Use agreements were being signed.* OIOS acknowledges the actions taken so far, but notes that the Regional Representation did not address the issue of designating a single focal point for the management of assets. Such designation, in our view, would result in a consistent and a better coordination and accountability in assets management. Further, the recommendation called for a comprehensive physical inventory, and not only for those assets under the custody of implementing partners located in Bangkok. Recommendation 8 remains open pending confirmation by the Regional Office that a comprehensive inventory has been completed, and that a single focal point has been designated for the management of assets.

### Procurement

40. OIOS assessed that ROTHHA generally complied with the procurement rules and procedures. A Local Committee on Contracts was established and minutes of the meetings were kept on file. However, OIOS found a few instances of non-compliance.

- For the construction of a guest house with contract costs totalling some \$90,000, implementation was blurred by the fact that ROTHHA carried out the procurement process, while instructing its implementing partner to effect payment. Moreover, this procurement case was not submitted to the Local Committee on Contracts as required. In OIOS' view, this procurement was less than transparent, and directing an implementing partner to make payments for transactions in which they were not involved blurs the distinction between direct implementation and implementation by partners.
- During 2007, the procurement by ROTHHA of 12 motorcycles for a total of some \$15,000 was not subject to any competitive bidding. The selection of the supplier was restricted by the fact that the implementing partner had requested a specific make and model that was only available with that particular supplier. This practice, in OIOS' opinion, does not provide best value for money, and should be avoided in future.

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### **Recommendation 9**

**(9) The UNHCR Regional Office in Thailand should adhere to procurement rules and procedures and refrain from instructing implementing partners to make payments for financial transactions in which they were not involved; exceptions to normal procurement procedures should be fully documented and kept on file.**

41. *The UNHCR Regional Representation in Thailand accepted recommendation 9 and stated that it would be implemented by December 2008. Recommendation 9 remains open pending receipt of assurance from the Regional Representation that the distinction between direct implementation and implementation by partners is no longer blurred, and that exceptions to normal procurement procedures are fully documented and kept on file.*

### **D. Administration and Finance**

42. In the areas of administration and finance, the Representation generally complied with UNHCR's regulations, rules, policies and procedures and controls were operating effectively during the period under review. No material findings were made during the review.

## **V. ACKNOWLEDGEMENT**

43. We wish to express our appreciation to the Management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

## STATUS OF AUDIT RECOMMENDATIONS

| Recom. no. | Recommendation  | Risk category | Risk rating | C/O <sup>1</sup> | Actions needed to close recommendation  | Implementation date <sup>2</sup> |
|------------|---|---------------|-------------|------------------|---|----------------------------------|
| 1          | The UNHCR Regional Representation in Thailand should request ZOA to ensure that the root cause of the frequent changes in finance staff is identified and addressed. Also, ZOA should ensure that payment vouchers are systematically used, evidencing proper authorization and approval of expenditure.  | Operational   | Medium      | O                | Confirmation by the Regional Representation that ZOA has strengthened its internal controls in the area of authorization and approval of expenditure.   | Mid-2009                         |
| 2          | The UNHCR Regional Representation in Thailand should agree with ZOA on the common costs sharing methodology and ensure that UNHCR's share is verified during regular project financial monitoring visits.   | Operational   | Medium      | C                | Action completed  | Implemented                      |
| 3          | The UNHCR Regional Representation in Thailand should request ZOA to adequately document their procurement transactions and to ensure compliance with the requirement for competitive bidding, in accordance with UNHCR guidelines. In future, any expenditure inadequately supported should be rejected and the funds recovered accordingly.  | Compliance    | High        | O                | Verification and confirmation by the Regional Representation that ZOA has been reminded of UNHCR requirements to comply with the relevant procurement procedures, in accordance with UNHCR guidelines | End 2009                         |
| 4          | The UNHCR Regional Representation in Thailand should request Catholic Office for Emergency Relief and Refugees to comply with the competitive bidding requirements, with any exceptions duly justified and kept in a note for the file. Also, significant procurement of assets should be carried out by the UNHCR Regional Office in Thailand when possible, in order to achieve cost savings and efficiency | Compliance    | High        | O                | Receipt of assurances from the Regional Representation that for future sub-agreements, consideration would be given to direct procurement by the office when it more cost effective to do so.         | End 2009                         |

| Recom. no. | Recommendation   | Risk category | Risk rating | C/O <sup>1</sup> | Actions needed to close recommendation   | Implementation date <sup>2</sup> |
|------------|--|---------------|-------------|------------------|--|----------------------------------|
| 5          | The UNHCR Regional Representation in Thailand should introduce proper and systematic project financial and performance monitoring procedures, and ensure that the progress of project implementation is in line with the level of expenditure incurred. Further, monitoring reports should be prepared and kept on file, with any issues arising from the reviews appropriately followed up and documented.  | Operational   | Medium      | C                | Action completed   | Implemented                      |
| 6          | The UNHCR Regional Representation in Thailand should review together with those partners in receipt of overhead support costs, their level of financial and/or in-kind contributions to the projects. If no contributions were made, or if these were not sufficient to offset the overhead support costs provided to them, a recovery should be sought accordingly. Also, the UNHCR Regional Representation should, in future, ensure that the financial and/or in-kind contributions expected from international implementing partners in receipt of overhead support costs are monitored. | Operational   | Medium      | O                | Verification and confirmation by the Regional Representation that implementing partners in receipt of overhead support costs have made sufficient contributions to the projects, or that a refund has been obtained from them. | Mid 2009                         |
| 7          | The UNHCR Regional Representation in Thailand should monitor more closely the actual implementation of the external auditors' recommendations through the quarterly project financial monitoring visits.   | Operational   | Medium      | C                | Action completed   | Implemented                      |
| 8          | The UNHCR Regional Office in Thailand should designate a single focal point for asset management and ensure that a comprehensive physical inventory of UNHCR assets is conducted as soon as possible, including those assets in the custody of implementing partners, and  | Operational   | High        | O                | Confirmation by the Regional Office that a comprehensive inventory has been completed, and that a singly focal point has designated for the management of assets.  | Mid 2010                         |

| Recom. no. | Recommendation   | Risk category | Risk rating | C/O <sup>1</sup> | Actions needed to close recommendation   | Implementation date <sup>2</sup> |
|------------|--|---------------|-------------|------------------|--|----------------------------------|
| 9          | <p>updated in the Management System Renewal Project database accordingly. Right of use agreements should be prepared for those assets in the custody of partners.</p> <p>The UNHCR Regional Office in Thailand should adhere to procurement rules and procedures and refrain from instructing implementing partners to make payments for financial transactions in which they were not involved; exceptions to normal procurement procedures should be fully documented and kept on file</p> | Compliance    | Medium      | O                | Assurance from the Regional Representation that the distinction between direct implementation and implementation by partners is no longer blurred, and that exceptions to normal procurement procedures are fully documented and kept on file. | End 2008                         |

1. C = closed, O = open
2. Date provided by UNHCR in response to recommendations.