Internal Audit of the Thailand Country Office

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Office of Internal Audit
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children

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Summary

The Office of Internal Audit and Investigations (OIAI) has conducted an audit of the Thailand Country Office. The audit was conducted during the period 20 April to 3 May 2013, and covered governance, programme management and operations support during the period from 1 January 2012 to 19 April 2013.

The current UNICEF Board-approved country programme for Thailand covers the period 2012-2016, with a total approved budget of US$ 70.7 million for the five-year period. In an effort to streamline programme planning and reduce the burden on counterparts, the UN country team in Thailand has agreed that individual agency country programme action plans (CPAPs) will not be signed with the government. In its place, the United Nations Partnership Framework (UNPAF) action plan served as the joint UN and Government CPAP. The UNICEF country programme focuses on three main programmes: Social policy analysis, budget, evidence and monitoring; Promoting equity, social inclusion and protection; and Advocacy, social action and resource mobilisation.

Action agreed following audit

As a result of the audit, and in discussion with the audit team, the country office has decided to take a number of measures to address issues raised in the report. Two of these are being implemented by the country office as high priority – that is, they concern issues requiring immediate management attention. They relate to the following:

- Weaknesses existed in the application of the Harmonized Approach to Cash Transfers to implementing partners. The office had not developed an assurance plan and had not conducted spot checks in 2012-2013 (as of April 2013).
- Solicitation processes and contract management needed improvement to ensure that consultants, contractors and institutions were hired through a competitive selection process. Likewise, performance evaluations were not prepared prior to final payments.

Conclusion

The audit concluded that overall, subject to implementation of the agreed actions described, the controls and processes over the country office were generally established and functioning during the period under audit.

The measures to address the issues raised are presented with each observation in the body of this report. The Thailand country office has prepared action plans to address the issues raised. The country office, with support from the East Asia and the Pacific Regional Office (EAPRO), and OIAI will work together to monitor implementation of these measures.

Contents

Summary **2**

Objectives **4**

Audit Observations **4**

Governance **4**
Satisfactory key controls 4
Supervisory structure 5
Management priorities 5
Staffing structure 6
Delegation of authorities and segregation of duties 7
Governance area: Conclusion 9

Programme management **10**
Satisfactory key controls 10
Work-planning process 11
Indicators, baselines and targets 12
HACT implementation 13
Evaluation 15
Programme management: Conclusion 16

Operations support **17**
Satisfactory key controls 17
Goods in transit 18
Contracting and transaction processing 18
Operations management: Conclusion 20

Annex A: Methodology, and definition of priorities and conclusions **21**

Objectives

The objective of the country office audit is to provide assurance as to whether there are adequate and effective controls, risk-management and governance processes over a number of key areas in the office. In addition to this assurance service, the audit report identifies, as appropriate, noteworthy practices that merit sharing with other UNICEF offices.

The audit observations are reported upon under three headings: governance, programme management and operations support. The introductory paragraphs that begin each of these sections explain what was covered in that particular area, and between them define the scope of the audit.

Audit Observations

1 Governance

In this area, the audit reviews the supervisory and regulatory processes that support the country programme. The scope of the audit in this area includes the following:

- **Supervisory** structures, including advisory teams and statutory committees.
- **Identification** of the country office's priorities and expected results and clear communication thereof to staff and the host country.
- **Staffing structure** and its alignment to the needs of the programme.
- **Performance measurement**, including establishment of standards and indicators to which management and staff are held accountable.
- **Delegation** of authorities and responsibilities to staff, including the provision of necessary guidance, holding staff accountable, and assessing their performance.
- **Risk management**: the office's approach to external and internal risks to achievement of its objectives.
- **Ethics**, including encouragement of ethical behaviour, staff awareness of UNICEF's ethical policies and zero tolerance of fraud, and procedures for reporting and investigating violations of those policies.

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The office had identified risk management as one of its office priorities for 2012. It reviewed its risk profile and risk and control library with participation of all staff. Having identified risks in its 2011 risk profile, it reassessed them in 2012 and again in 2013, taking into consideration the planned results of the new country programme. The office systematically followed up on the implementation of its action plan to address high and medium-high risks.

The office had also taken appropriate action to address ethics issues within the office. A face-to-face training session was facilitated by the Principal Adviser, Ethics Office, in January

2011, and attended by all staff. This was followed up by a session in December 2012 for all staff on Executive Directives on outside activities, awards, and prohibition of discrimination, harassment, sexual harassment and abuse of authority.

Supervisory structure

The country office shared premises in Bangkok with the East Asia and the Pacific Regional Office (EAPRO), and some committees functioned jointly for both offices. They included the Contract Review Committee (CRC), Property Survey Board (PSB), Joint Consultative Committee (JCC) and Local Salary Survey Committee (LSSC). There were also supervisory committees and teams specific to the Thailand country office, such as the country management team (CMT), programme management team (PMT), human resource development team (HRDT) and Project Cooperation Agreement (PCA) review committee.

Terms of reference (ToR) were prepared for each of these committees/teams. However, they were not kept up-to-date. For example, the ToR of the PCA review committee was issued on 7 August 2003 and had not been updated since, even though there had been major changes in the policy related to the management of PCAs.

The ToR of the CMT provides that it will meet on a monthly basis, but it had met only four times in 2012. It had met more frequently in 2013 – three times during the first four months of the year. However, discussion on programme performance was limited and the minutes of CMT meetings did not always clearly describe the follow-up actions and staff responsible. The PMT met 11 times in 2012; however, minutes of the meetings were available for only two meetings. The PMT had met only once in 2013 at the time of audit in April/May 2013.

Insufficient functioning of supervisory structures, and incomplete records of meetings of committees/teams, could affect their effectiveness both in providing strategic advice to the Representative, and in monitoring the overall performance of the office. Outdated ToRs of office committees/teams could create confusion and affect their effectiveness and efficiency.

Agreed action 1 (medium priority): The office agrees to strengthen its supervisory structure, ensuring that:

i. Terms of reference of office committees/teams are kept up-to-date.
ii. Committees/teams meet regularly in accordance with their terms of reference.
iii. There are minutes of meetings of committees/teams that clearly describe the actions agreed and staff responsible.

Target date for completion: December 2013
Responsible staff member: Operations Manager

Management priorities

The office developed annual management plans for 2012 and 2013 that included the key management and programme priorities for the year. There was adequate consultation with staff in defining the office priorities, and progress towards their achievement was regularly monitored.

Of the eight priorities for 2012, only one was reported as completed at the end of the year; six were reported as on track, while one was reported as constrained. Substantial work had been done on the six that were reported as “on track”, but it was not clear if the office had achieved them, as it had not clearly defined indicators and targets for the year. This was because it lacked clear procedures and responsibilities to ensure this was done. Without indicators and targets, it was difficult to establish if the planned priority results for the year were achieved.

Unclear definition of key management and programme priority results could significantly affect the office’s ability to measure the achievement of these priorities.

Agreed action 2 (medium priority): The office agrees to strengthen procedures and accountabilities for defining the indicators and targets for each of the office priorities for the year, in order to enable monitoring and measurement of achievements against those priorities.

Target date for completion: October 2013
Responsible staff member: Deputy Representative

Staffing structure

The 2012-2016 UNICEF country programme is focused on evidence-based programming and advocacy, leveraging national resources for children, more systematic national capacity development, broader strategic partnerships (including with the corporate sector), strategic communication to influence social norms and behaviour, and south-south and international cooperation. This represented a shift to upstream programming, in which the office expected to deal mostly with cross-sectoral issues. However, the organisational structure remained sectoral with sections in the areas of HIV/AIDS, Child Protection and Education.

Further, the job descriptions (JDs) of programme staff had not been updated to align them to their current work assignments. For example, the JD of the Communication Officer was prepared in March 1999; the JD of the Project Officer for Child Protection was prepared in August 2004; that of the Assistant Project Officer for Education was prepared in May 2006; and the JD of the HIV/AIDS Specialist was prepared in December 2008. The JDs of these staff were not consistent with their current work or with the needs of the current country programme. The office had also not conducted a skills inventory and analysis to identify areas that should be strengthened for the current programme.

The office was fully aware of these weaknesses and had defined the systematic strengthening of the office’s capacity for "upstream" work as one of its key priorities for 2012. Under this priority, the office had planned to do the following:

- Carry out a Skills Inventory Management (SIM) exercise with special focus on a skills inventory relating to core upstream functions (data/evaluation, advocacy, partnerships etc.).
- Take initial action on the results of this SIM exercise.
- Carry out systematic training-cum-action initiatives on key upstream skills (eg. advocacy, data/evaluation, partnerships).

- Review and update internal institutional processes (planning, monitoring performance and oversight) for upstream functions, including advocacy function, data/evaluation and fundraising.

However, none of these were completely implemented. In its 2013 key office priorities, therefore, the office had carried over the planned priority for 2012 of systematic strengthening of the office's capacity for "upstream" work, and had updated the planned activities to take into consideration lessons learned.

At the time of the audit in April 2013, some staff capacity-building activities had already been launched. The ToR for the Staff Skills Inventory Exercise had been finalised, the vacancy announcement posted, and eight applications shortlisted for review and selection. The ToR for the Advocacy Capacity Development had also been finalized, a consultant had been identified and the activity had been scheduled for September 2013. Meanwhile one staff member had participated in a one-week training in Water, Sanitation and Health in Emergencies, further strengthening UNICEF staff’s emergency response capacity.

Agreed action 3 (medium priority): The office agrees to take necessary steps to complete all its priority planned activities by the end of 2013, including:

i. Implement its plan to systematically strengthen the office’s capacity for “upstream” work, ensuring that the skills inventory exercise is carried out as planned, and the gaps identified are adequately addressed.
ii. Rationalise its organisational structure and clearly align it to the needs of the country programme.
iii. Update the job descriptions of programme staff and ensure they are consistent with the function of the post.

Target date for completion: November 2013
Responsible staff member: Deputy Representative, Operations Manager, Chair of Human Resources Development Team

Delegation of authority and segregation of duties

In January 2012, UNICEF introduced a new SAP-based management program, VISION, across the organisation. Offices had to map roles in VISION in preparation for its implementation. In the case of the Thailand country office, this was done and was approved by the Representative on 14 September 2011, and again in November 2011 in view of changes in the guidance on how to delegate roles. This mapping became the basis for assignment of roles/authorities in VISION so that staff could process transactions from January 2012.

Some roles in VISION were subsequently redefined, and headquarters required offices to revise the mapping of roles. The Thailand office complied. However, these revisions to the assignment of roles in VISION were not pre-approved by the Representative, who signed the revised table of authority (ToA) documenting the roles/authorities delegated to staff only on 20 December 2012. The office explained that the delay was due to a delay in the receipt of guidance from headquarters.

In accordance with UNICEF’s internal control policy, staff were formally notified of the roles/authorities assigned to them in the December 2012 ToA and were required to acknowledge their awareness of the responsibilities and accountabilities associated with exercising these financial authorities. However, at the time of audit in April 2013, seven staff had not acknowledged their delegated authorities, while two had not been issued the letter assigning the authorities, although they had delegated authorities recorded in VISION.

There were also inconsistencies between the roles/authorities delegated in the ToA and those recorded in VISION. Roles recorded for five staff were incomplete, while three staff were assigned roles/authorities in VISION that had not been delegated to them in the ToA.

Accountabilities outside VISION: In order to streamline processing of transactions in VISION, the office had centralised processing of selected transactions to specific programme assistants. Examples included the receiving function through the service entry sheet in VISION. This meant that goods and services were manually received by the staff member concerned by signing the receiving documents (goods received notes, invoices or similar documents) that were then forwarded to the programme assistant who had been assigned this function in VISION. This programme assistant performed the receiving function on behalf of the owner of the transaction. The office did not clearly define the accountabilities of the staff performing the manual process. The authorities with respect to financial controls exercised outside VISION were not included in the ToA and in the individual delegation letters.

Segregation of duties: *Approva*, a system used to manage delegation of roles/authorities in VISION, showed nine high-risk conflicts in the segregation of duties at the time of the audit in April/May 2013. The conflict was mainly in the assignment of both certifying and receiving functions to programme assistants – which was no longer necessary with the centralisation of the receiving function with a specific programme assistant. The office had not updated the ToA and roles assigned in VISION to take into consideration the centralisation of functions.

In addition, staff that had left the office were still in the approved ToA.

Delay in the issue and updating of the approved ToA and in requiring staff to acknowledge their understanding and acceptance of delegated authorities, unclear delegation of authorities related to manual processes, and failure to appropriately address conflicts in the segregation of duties in processing transactions in VISION, could lead to misunderstandings and inappropriate transactions.

Agreed action 4 (medium priority): The office agrees to strengthen the delegation of financial controls, ensuring that:

i. The table of authority approved by the Representative is updated whenever there is a change in the VISION roles/delegated authorities.
ii. The table of authority approved by the head of office includes manual processes, and differentiates between the accountabilities of the staff performing the manual process and those performing the control in VISION.
iii. Roles/authorities recorded in VISION are consistent with the table of authority approved by the Representative.
iv. All staff with delegated roles and authorities, whether manual or in VISION, are required to acknowledge their awareness of the responsibilities and accountabilities associated with exercising the financial authorities assigned to them.

Target date for completion: November 2013
Responsible staff member: Operations Manager

Governance area: Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the controls and processes over the Governance area, as defined above, were generally established and functioning during the period under audit.

2 Programme management

In this area, the audit reviews the management of the country programme – that is, the activities and interventions on behalf of children and women. The programme is owned primarily by the host Government. The scope of the audit in this area includes the following:

- **Resource mobilization and management**. This refers to all efforts to obtain resources for the implementation of the country programme, including fundraising and management of contributions.
- **Planning**. The use of adequate data in programme design, and clear definition of results to be achieved, which should be specific, measurable, achievable, realistic and timebound (SMART); planning resource needs; and forming and managing partnerships with Government, NGOs and other partners.
- **Support to implementation**. This covers provision of technical, material or financial inputs, whether to governments, implementing partners, communities or families. It includes activities such as supply and cash transfers to partners.
- **Monitoring of implementation**. This should include the extent to which inputs are provided, work schedules are kept to, and planned outputs achieved, so that any deficiencies can be detected and dealt with promptly.
- **Reporting.** Offices should report achievements and the use of resources against objectives or expected results. This covers annual and donor reporting, plus any specific reporting obligations an office might have.
- **Evaluation**. The office should assess the ultimate outcome and impact of programme interventions and identify lessons learned.

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

The country programme supports the goals set in Thailand's 2012-2016 Eleventh National Economic and Social Development Plan, particularly two of its main priorities (promoting a just society, and building human resources to promote a life-long learning society). The UN Partnership Framework (UNPAF) guided the preparation of the country programme.

The office had a funding strategy in place. In 2012, the country office raised US $13.7 million from local fundraising sources. This ensured full funding for the country programme and provided a further US$ 1.5 million for global Regular Resources (RR)[1] to support UNICEF's work globally.

[1] Regular Resources are core resources that are not earmarked for a specific purpose, and can be used by UNICEF wherever they are needed. They include income from voluntary annual contributions from governments, un-earmarked funds contributed by National Committees and the public, and net income from greeting-card sales. Other Resources are contributions that have been made for a specific purpose such as a particular programme, strategic priority or emergency response, and may not be used for other purposes without the donor's agreement. An office is expected to raise the bulk of the resources it needs for the country programme itself, as Other Resources.

The office had a team approach to planning, implementation and monitoring of the country programme. The approach brought together staff from all sections of the office to provide the necessary skills and inputs needed to ensure greater progress towards planned results.

Work-planning process

The office had planned to achieve 21 intermediate results (IRs) during the current (2012-2016) programme cycle,[2] of which 15 were programme-related. Five of the 15 IRs were covered by internal UNICEF workplans, while 10 were covered by workplans to be signed with partners. Of these 10, seven multi-year workplans for 2012-2013 were signed with partners only in June, July and August 2012, while the workplans for the three other IRs were still under discussion with implementing partners at the time of the audit. The workplan period of the country office started in March 2012, following agreement with the Government to extend the 2011 workplans to March 2012.

According to UNICEF's Programme Policy and Procedure Manual (PPPM), all workplans that include responsibilities to be undertaken by UNICEF and one or more counterpart agency (government or otherwise) should be confirmed in writing by the named agencies and, where required, by the coordinating counterpart government agency. This endorsement should be obtained no more than two months after the start date of the workplan — and normally much earlier in the year, to enable disbursements to begin.

The signed workplans included a provision that they could be modified by mutual consent of the implementing partners and UNICEF at any time during the workplan period, and that an annual review of progress of implementation of the agreed plans would be held. The office recorded the signed workplans in VISION. However, there were inconsistencies between what was recorded in VISION and the signed workplans. Some activity groups were not completely recorded in VISION and activity groups were added in VISION although not included in the signed workplans.

In addition, for all the five IR workplans verified by the audit, the budget recorded in VISION was inconsistent with what was indicated in the signed workplan. In cases where indicators, baselines and targets were defined in the signed workplans, they were not recorded in VISION – affecting the office's ability to ensure that progress being reported was linked to the pre-defined indicators, baselines and targets.

The office informed the audit that in some cases, changes in the workplan cannot be avoided and getting concurrence from the signatories could delay implementation.

Agreed action 5 (medium priority): The office agrees to ensure that:

i. Workplans are signed early enough to be able to start implementation on the planned start dates.
ii. Signed workplans are accurately recorded in VISION, to assist monitoring of implementation and achievement of planned results.

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[2] Planned results are generally expressed as programme component results (PCRs) and intermediate results (IRs). A PCR is an output of the country programme, against which resources will be allocated. An IR is a description of a change in a defined period that will significantly contribute to the achievement of a PCR.

iii. If changes in the plans are needed, the agreement of the signatories to the workplan is secured. Alternatively, a clause may be added to the cover memo of the workplan allowing the office to make changes to it without securing concurrence from the other signatories, subject to certain conditions. This should include identification of criteria/threshold for amendments that do not require such agreement.

Target date for completion: November 2013
Responsible staff member: Deputy Representative

Indicators, baselines and targets

The office had not clearly defined the indicators, baselines and targets for some of the programme component results (PCRs) and IRs of the 2012-2016 country programme. For example, in the IR "Access to HIV, health, psychosocial, and/or socio-economic support services for marginalized and vulnerable children including children affected by HIV/AIDS", the indicator was "Increase in access to HIV, health, psychosocial, and/or socio-economic support services for marginalized and vulnerable children including children affected by HIV/AIDS". The baseline indicated was "21 percent",[3] but this pertained to the national figure, as there was no disaggregated data available for marginalized and vulnerable children and children affected by HIV/AIDS. At the same time, the target for this indicator was a 50 percent increase in access in 29 of 76 provinces with highest HIV burden – which reflects areas where the focus of intervention will be. It is recognized by the office that there cannot be a direct comparison between the baseline and target as the baseline figure is a national one, but the target was a measure of progress in 29 of 76 provinces, not nationally.

One of the office's priorities for 2012 was to strengthen the results orientation of the 2012-2016 country programme. It was therefore planned to establish baseline data for all the PCRs and IRs. However, by end of 2012, the gaps in baseline data had not been fully addressed. The 2013 Risk and Control Self-Assessment of the office identified *Results-Based Management and Measurement and Reporting of Results* as Medium to High risk. Concerns persisted within the office regarding its ability to effectively develop realistic baseline estimates from which to measure progress, and the ability to report on results with a country programme considerably more focused on upstream activities – which can both take longer to realize and be more difficult to quantify.

Indicators, baselines and targets that are not clearly defined could lead to planned results that are not measurable, making it difficult, if not impossible, to determine their actual achievement.

Agreed action 6 (medium priority): The office agrees to ensure that indicators, baselines and targets for all planned results are appropriate and clearly defined, to enable measurement of the progress in achieving these planned results.

Target date for completion: October 2013
Responsible staff member: Chief, Social Policy

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[3] Figure was taken from the 2005 Multiple Indicator Cluster Survey in Thailand measuring access to support from public programs for orphans and vulnerable children, including children made vulnerable or orphaned by HIV/AIDS.

HACT implementation

Country offices are required to implement the Harmonized Approach to Cash Transfers (HACT) for cash transfers to implementing partners. HACT is also required for UNDP, UNFPA and WFP in all programme countries. HACT exchanges a system of rigid controls for a risk-management approach, reducing transaction costs by simplifying rules and procedures, strengthening partners’ capacities and helping to manage risks. HACT includes risk assessments – a macro-assessment of the country’s public financial management system, and micro-assessments of the financial management system of the individual implementing partners (both Government entities and NGOs).

In 2012, the Thailand country office’s expenses on cash transfers to implementing partners totalled about US$ 3.0 million which was 36 percent of the total expenses for the office. As of April 2013, cash transfers totalled US$ 691,787, which was 32 percent of the expenses so far for 2013.

The UN Partnership Framework (UNPAF) for 2012-2016 contained the required provisions on the harmonized approach to cash transfers (HACT), and implementing partners and staff were trained on cash transfer procedures. The office used the prescribed funding authorization and certificate of expenditure (FACE) form[4] as the basis for payment and liquidation of cash transfers. A macro-assessment had been conducted for the previous programme cycle, and the UN country team was in the process of conducting a macro-assessment for the new country programme cycle through a consultant. UNFPA was the lead agency on this and the selected candidate was expected to be on board in May 2013.

***Micro-assessments and simplified assessments**:* The HACT framework recommends detailed micro-assessments of implementing partners that are expected to receive more than US$ 100,000 in a year and an audit at the end of the programme cycle for those partners that received more than US$ 500,000 over the whole programme cycle.

At the beginning of 2012, the office had estimated that there were 17 implementing partners that would receive more than US$ 100,000 during the year. Three of the 17 were common to another UN agency and had been micro-assessed. Of the remaining 14 that pertained solely to UNICEF, 13 had not been micro-assessed during the current programme cycle. The office was in the final stage of selecting an audit firm to conduct the micro-assessment of these 13 partners. In the meantime, however, the risk rating of those that had been assessed in the previous cycle was retained instead of assuming a high risk rating as required by the HACT framework.

For partners receiving lesser sums, the HACT framework allows for less detailed checks; however, it does still require a simplified assessment of those partners. The audit noted that there were no plans for these simplified assessments, as there had been no agreement on this area with the rest of the UN country team.

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[4] The Funding Authorization Certificate of Expenditure (FACE) form is used by the partner to request and liquidate cash transfers. It is also used by UNICEF to process the requests for and liquidation of cash transfers. The FACE forms should reflect the workplans, which set out the activities for which funds are being requested, or on which they have been spent. The FACE form was designed for use with the HACT framework, but can also be used outside it.

Assurance plan: HACT also includes assurance activities, including spot checks of implementing partner's financial records, programmatic monitoring, audits of partners receiving a certain level of funds, and (where required) special audits. The risk assessments and assurance activities are supposed to be carried out in cooperation with the three other UN agencies that have also adopted HACT.

However, the office's assurance plan was not comprehensive. It did not include programmatic visits, the date of planned spot checks was not indicated, and the plan included only the 14 partners that were subject to scheduled audits (those that had received a total of US$ 500,000 from the previous cycle from all UN agencies in the country). According to the office, partners assessed in the previous cycle as low risk were not considered for spot checks. During 2012, out of 60 partners that received direct cash transfer, none received spot checks. Likewise, no spot checks had been conducted in 2013 at the time of audit in April. (In 2010 and prior years, spot checks were conducted by finance staff and they were found to be of high quality.)

The office had signed a long-term arrangement for an audit firm on 11 October 2010 to perform micro-assessments and spot checks, but the spot-check component of the arrangement was never used and the arrangement expired on 10 October 2012. In the current bidding for conducting micro-assessments, the office once again combined the request to bid for services related to spot checks. However, as the office found the quoted price on the high side, it was considering reverting back to the previous practice of assigning its own staff to do the spot checks.

OIAI visited five partners, three of which were assessed as low risk by the contracted auditing firm during the previous cycle. There had been no spot checks on these partners in the last five years, although they had received substantial amounts in cash transfers from January 2012 to April 2013 (ranging from the equivalent of US$ 241,861 to US$ 512,286). The audit noted that some of the findings in the micro-assessments for these three partners were not consistent with what it found in its own visit, and therefore found the low risk ratings inappropriate. For example, according to the micro-assessment report of one partner, cash disbursements followed procedures for UN-funded projects and a separate bank account was maintained. However, although there was a separate bank account, no monthly accounts were produced, and bank reconciliations were therefore not conducted. For another partner, the audit noted that the partner maintained records manually and they were not kept up-to-date. Actual supporting documents were maintained in the field and although the partner's Finance Officer said he went regularly to check, he could not confirm exactly what checks he performed. Neither were the accounts subjected to internal or external audits.

In reviewing the supporting documents kept by another partner visited by OIAI, an instance was noted where the UNICEF cash transfers were "loaned" to a non-UNICEF-supported project. In that particular instance the partner submitted a FACE form five and a half months after receiving the advance stating that the remaining balance had been re-programmed, although the reprogramming had not been pre-approved by UNICEF as required. Then two months later, a revised FACE form was submitted refunding the unused funds to UNICEF.

Scheduled audits: As stated earlier, implementing partners that receive more than US$ 500,000 during the five-year cycle combined for all UN agencies in the country will be subject to scheduled audits. For the 14 partners that had received more than US$ 500,000 in the previous cycle and were identified by the office for audit in 2012-2013, the audit of one partner had been completed while five more audits were in various stages, from report being prepared to report being reviewed by partners. The audit dates for the remaining eight partners were still to be determined.

Inadequate implementation of HACT weakens assurance on the appropriate use of cash transfers for intended purposes.

Agreed action 7 (high priority): The office agrees to strengthen the implementation of the Harmonized Approach to Cash Transfers to implementing partners, ensuring that:

i. The bidding and contracting process for the audit firm that will conduct the micro-assessment is completed as soon as possible.
ii. Planned micro-assessments of implementing partners that are expected to receive more than US$ 100,000 in a year are conducted before release of the first direct cash transfer – or high risk is assumed if micro-assessment could not be conducted.
iii. Partners that are expected to receive US$ 100,000 or less are assessed using a simplified process.
iv. A risk and cost-benefit analysis is used to determine whether or not to contract out spot checks, and if the decision is made to contract this out, the firm contracted to conduct micro-assessment should be different from the one that carries out the spot checks, in order to maintain checks and balances.
v. An assurance plan is developed and implemented covering programmatic monitoring and spot checks, taking into consideration the risk rating of partners; and a system is established of adjusting the risk rating based on results of subsequent assurance activities.

Target date for completion: September 2013
Responsible staff member: Deputy Representative, Operations Manager

Evaluation

The integrated monitoring and evaluation plan (IMEP) is the central tool that helps UNICEF country offices and national partners to manage their monitoring and evaluation responsibilities, as established in the country programme action plan (CPAP).[5] The IMEP consists of two components: the five-year IMEP that is prepared and submitted with the CPAP and covers the whole programme cycle, and the annual, multi-year or rolling IMEP which is prepared in alignment with whatever programme planning instruments are used for shorter periods. Both are mandatory and are described in more detail in the Toolbox section of UNICEF's Programme Policy and Procedures manual.

As explained in the summary of this report, in Thailand the UN agencies did not sign individual CPAPs; instead, they signed a joint United Nations Partnership Framework (UNPAF) action plan with the Government. The UNPAF included a broad description of evaluation activities to be undertaken, but no details were provided. The office had in fact developed a five-year integrated monitoring and evaluation plan (IMEP), which included planned surveys, studies, reviews and evaluations covering the period 2012 to 2016.

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[5] The CPAP is a formal agreement between a UNICEF office and the host Government on the Programme of Cooperation, setting out the expected results, programme structure, distribution of resources and respective commitments.

However, this five-year IMEP served only as an internal document, although according to the office, managers of IRs discussed them with relevant implementing partners.

The office had also developed annual IMEPs for 2012 and 2013. Surveys, studies, reviews and evaluations were included in the 2012-2013 multi-year workplans agreed and signed with implementing partners. However, there were inconsistencies among these documents. Some IMEP activities were not in the signed workplans, while some of those in the signed workplans were not in the IMEP.

Agreed action 8 (medium priority): The office agrees to strengthen the management of the evaluation function within the office, ensuring that:

i. As part of the work-planning process, the annual Integrated Monitoring and Evaluation Plan (IMEP) is developed based on the agreed five-year IMEP and emerging needs, and agreed IMEP activities are systematically embedded in the workplans after they have been discussed and agreed with partners.
ii. There is as much consistency as possible between the IMEP activities in the five-year IMEP, annual IMEP and the signed workplans, and any differences are adequately documented.

Target date for completion: September 2013
Responsible staff member: Chief, Social Policy

Programme management: Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the controls and processes over programme management, as defined above, were generally established and functioning during the period under audit.

3 Operations support

In this area the audit reviews the country office's support processes and whether they are in accordance with UNICEF Rules and Regulations and with policies and procedures. The scope of the audit in this area includes the following:

- **Financial management**. This covers budgeting, accounting, bank reconciliations and financial reporting.
- **Procurement and contracting.** This includes the full procurement and supply cycle, including bidding and selection processes, contracting, transport and delivery, warehousing, consultants, contractors and payment.
- **Asset management**. This area covers maintenance, recording and use of property, plant and equipment (PPE). This includes large items such as premises and cars, but also smaller but desirable items such as laptops; and covers identification, security, control, maintenance and disposal.
- **Human-resources management.** This includes recruitment, training and staff entitlements and performance evaluation (but not the actual staffing structure, which is considered under the Governance area).
- **Inventory management.** This includes consumables, including programme supplies, and the way they are warehoused and distributed.
- **Information and communication technology (ICT)**. This includes provision of facilities and support, appropriate access and use, security of data and physical equipment, continued availability of systems, and cost-effective delivery of services.

All the areas above were covered in this audit.

Satisfactory key controls

The audit found that controls were functioning well over a number of areas including (but not necessarily limited to) the following:

A major activity of the office in 2012 was Private Sector Fundraising (PSFR) where gross income amounted to US$ 9.5 million. A major component of the PSFR was the solicitation and receipt of contributions by mail, which came in various forms such as charges on customer credit card accounts, direct bank deposits, postal money orders, cheque donations and in some cases cash. There were adequate procedures to ensure that donations received by mail were properly safeguarded and accounted for.

The checks and balances for the preparation of the payroll were adequate and payments were confirmed for accuracy.

Management of the office's plant, property and equipment (PP&E) was supported through the Common Services Unit (CSU) housed in EAPRO. Controls for the management of PP&E were adequate. The CSU also provided Information and communication services (ICT) and the office considered the support adequate.

Goods in transit

The UNICEF Chart of Accounts defines the general ledger accounts to be used for recording transactions related to management of programme supplies. These include *1310190 – Goods-in-Transit (Field Offices)*, which is used to record the value of programme supplies that are controlled by UNICEF while in transit from a supplier or freight forwarder; *7600110 – Programme Supplies*, which is used to record the expense of transferring programme supplies originally received into a UNICEF warehouse; and *7600210 – Programme Supplies - Implementing Partner*, which is used to record the expense of programme supplies delivered to an implementing partner without passing through a country office warehouse. Since the office did not maintain a warehouse, 7600210 was the appropriate programme supplies expense account for the office.

At the end of 2012, the balance of the goods-in-transit account of the country office was US$ 118,415; by 1 May 2013, it had increased to US$ 243,832.64. On the other hand, 2012 programme supplies expense was negative at –US$ 24,522.99 and for 2013 (as of 1 May 2013) it was US$ 6,580.10. Verification of the details of the Goods-in-Transit account indicated that they mostly pertained to goods already received and used by the office and, in some cases, already delivered to the concerned implementing partners.

Part of the instruction for the 2012 year-end closure of account was to review and clear the Goods-in-Transit account of those entries pertaining to goods that had already been received. The CSU accordingly reviewed the account but was not able to make the necessary adjustment until the audit was done. The office stated that it was waiting for more instructions from the Division of Financial and Administrative Management on how to clear the Goods in Transit account.

The audit shared with the Thailand country office the guidance sent by Supply Division on how to clear the Goods-in-Transit account.

Agreed action 9 (medium priority): The office agrees to:

i. Clear the Goods-in-Transit account of all entries pertaining to goods received by the implementing partners or by the office (for those intended for office use), so that they are cleared and moved to the appropriate expense account.
ii. Ensure periodic review of the Goods-in-Transit account to clear it of items that are received.

Target date for completion: October 2013
Responsible staff member: Operations Manager, Finance Manager

Contracting and transaction processing

With the shift to UNICEF's new management system, VISION, in 2012, the country had revised its workflows for procurement. As Thailand is a middle-income country, supply procurement for the programme was minimal, and most contracts were related to procurement of services. The total expenses on professional and other services amounted to US$ 1.2 million, or 14 percent of total expenses for 2012. In 2013 (by 1 April 2013), total expenses on professional and other services amounted to US$ 393,992 or 18 percent of total expenses for the period.

For 2012-2013, the office issued 20 contracts for individual consultants and contractors amounting to US$ 112,161 and 41 corporate contracts totalling US$ 4.3 million. The following were noted in the review of contracts for individual consultants.

Contracts for individual consultants: 14 of the 20 contracts for individual consultants and contractors amounting to US$ 74,978 were single-sourced. The CSU had developed roster of consultants for EAPRO and for the Thailand country office, but these rosters were used mainly to identify candidates for emergency consultancy requirements. For its regular activities, the office relied on recommended individuals or former staff to meet its requirements for contracts for services.

The audit reviewed five contracts for services in detail, of which two were selected following a competitive selection process. The remaining three were single-sourced – one selected from a consultant's roster, one issued to a former staff member and another based on a recommendation from another office.

The roster was developed based on recommendations from staff and other offices/sources, without a prequalification process that would have included (for example) reference checks and validation of their educational qualification and experience. Final formal output evaluations were not always prepared. Interim performance reports were used instead to assist contract extensions or amendments. Also, completed contracts were not systematically closed in VISION, leaving small balances due to exchange rate fluctuations. Eleven contracts with a validity end date on or before 31 January 2013 were still open in VISION at the time of the audit (April 2013).

Contracts for institutional contractors: The CSU maintained a vendor master of potential supplier of goods and services. Of the 41 corporate contracts, 37 were based on a competitive selection process. However, the vendor master was not always used in the selection of potential bidders.

According to the supply manual, preparation of an evaluation report as to the performance of the contractor is required for future reference and should be done as part of the close-out of an institutional contract. However, of the 23 contracts with validity before 31 January 2013, 18 lacked performance evaluation reports. As with contracts for individual consultants, completed institutional contracts were not systematically closed upon termination of the contract. Nineteen contracts with validity end date before 31 January 2013 were still open in VISION at the time of audit (April 2013).

Insufficient management of contracts of services affects the transparency of the selection process and could lead to selection of consultants and contractors who are not able to deliver the required services. Lack of a competitive selection process also compromises the ability of the office to get the best value for its money.

Agreed action 10 (high priority): The office agrees to ensure that:

i. Providers of services are selected through a competitive selection process.
ii. Rosters for service providers are regularly reviewed and updated, using various supply sources such as advertising, collaboration with other UN organizations and the UN Global Market Place. A pre-qualification process will be undertaken.
iii. Performance evaluations are prepared prior to final payments and are used to update the rosters of service providers.

iv. Regular reviews and clean-ups of contract information in VISION are undertaken to ensure that it accurately reflects the contract position and is used in managing contracts.

Target date for completion: November 2013
Responsible staff member: Operations Manager, Human Resource Officer

Operations support: Conclusion

Based on the audit work performed, OIAI concluded that, subject to implementation of the agreed actions described, the controls and processes over operations support, as defined above, were generally established and functioning during the period under audit.

Annex A: Methodology, and definition of priorities and conclusions

The audit team used a combination of methods, including interviews, document reviews, testing samples of transactions. It also visited UNICEF locations and supported programme activities. The audit compared actual controls, governance and risk management practices found in the office against UNICEF policies, procedures and contractual arrangements.

OIAI is firmly committed to working with auditees and helping them to strengthen their internal controls, governance and risk management practices in the way that is most practical for them. With support from the relevant regional office, the country office reviews and comments upon a draft report before the departure of the audit team. The Representative and their staff then work with the audit team on agreed action plans to address the observations. These plans are presented in the report together with the observations they address. OIAI follows up on these actions, and reports quarterly to management on the extent to which they have been implemented. When appropriate, OIAI may agree an action with, or address a recommendation to, an office other than the auditee's (for example, a regional office or HQ division).

The audit looks for areas where internal controls can be strengthened to reduce exposure to fraud or irregularities. It is not looking for fraud itself. This is consistent with normal practices. However, UNICEF's auditors will consider any suspected fraud or mismanagement reported before or during an audit, and will ensure that the relevant bodies are informed. This may include asking the Investigations section to take action if appropriate.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. OIAI also followed the reporting standards of International Organization of Supreme Audit Institutions.

Priorities attached to agreed actions

High: Action is considered imperative to ensure that the audited entity is not exposed to high risks. Failure to take action could result in major consequences and issues.

Medium: Action is considered necessary to avoid exposure to significant risks. Failure to take action could result in significant consequences.

Low: Action is considered desirable and should result in enhanced control or better value for money. Low-priority actions, if any, are agreed with the country-office management but are not included in the final report.

Conclusions

The conclusions presented at the end of each audit area fall into four categories:

[Unqualified (satisfactory) conclusion]

Based on the audit work performed, OIAI concluded at the end of the audit that the control processes over the country office *[or audit area]* were generally established and functioning during the period under audit.

[Qualified conclusion, moderate]
Based on the audit work performed, OIAI concluded at the end of the audit that, subject to implementation of the agreed actions described, the controls and processes over [audit area], as defined above, were generally established and functioning during the period under audit.

[Qualified conclusion, strong]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed improvement to be adequately established and functioning.

[Adverse conclusion]
Based on the audit work performed, OIAI concluded that the controls and processes over [audit area], as defined above, needed **significant** improvement to be adequately established and functioning.

[Note: the wording for a strongly qualified conclusion is the same as for an adverse conclusion but omits the word "significant".]

The audit team would normally issue an ***unqualified*** conclusion for an office/audit area only where none of the agreed actions have been accorded high priority. The auditor may, in exceptional circumstances, issue an unqualified conclusion despite a high-priority action. This might occur if, for example, a control was weakened during a natural disaster or other emergency, and where the office was aware the issue and was addressing it. Normally, however, where one or more high-priority actions had been agreed, a ***qualified*** conclusion will be issued for the audit area.

An ***adverse*** conclusion would be issued where high priority had been accorded to a significant number of the actions agreed. What constitutes "significant" is for the auditor to judge. It may be that there are a large number of high priorities, but that they are concentrated in a particular type of activity, and that controls over other activities in the audit area were generally satisfactory. In that case, the auditor may feel that an adverse conclusion is not justified.