



INTERNAL AUDIT DIVISION

REPORT 2015/164

Audit of the Regional Office in Thailand for the Office of the United Nations High Commissioner for Refugees

Overall results relating to effective management of the Regional Office in Thailand were initially assessed as partially satisfactory. Implementation of three important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY SATISFACTORY

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AUDIT REPORT

Audit of the Regional Office in Thailand for the Office of the United Nations High Commissioner for Refugees

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the Regional Office in Thailand for the Office of the United Nations High Commissioner for Refugees (UNHCR).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. UNHCR established the Office of the Regional Representative for South East Asia in Bangkok, Thailand in 1977 (hereinafter referred to as “the Regional Office”). The objective of the Regional Office was to provide refugees, asylum seekers and stateless persons in the region with international protection and humanitarian assistance. During the period from 2008 to 2011, the UNHCR Regional Bureau for Asia and the Pacific undertook a process of reviewing the structure of the Regional Office in line with the High Commissioner’s policy of decentralization. In this process, the Bureau took several decisions with the aim to restructure the Regional Office. These included separating the UNHCR Country Representation in Thailand from the Regional Office and classifying the Field Units under the Regional Office based on interrelated caseloads and nature of operations. In addition, the Bureau delegated the regional coordination function to the Regional Office, which was then formally recognised as the Office of the Regional Representative and Regional Coordinator. Consequently, the Regional Office got a broader coverage in the region for enhancing operational coordination and ensuring better technical advice and guidance to the country operations. For example, the restructuring assigned a wide range of responsibility to the Protection Unit of the Regional Office and, as a result, the Unit was providing protection strategies and support to all country operations situated in South East Asia, South Asia, Central Asia, and the Pacific.
4. In line with the new strategic approach, the Regional Representative, as the Head of the Regional Office at the D-2 level, was accredited as the UNHCR Representative in Brunei Darussalam, Cambodia, Lao People’s Democratic Republic, Mongolia, Singapore, Timor-Leste and Vietnam. The Regional Office also assumed the role of supervising and coordinating those UNHCR country representations that had their own Representatives, i.e. those in Bangladesh, Indonesia, Malaysia, Myanmar, the Philippines and Thailand. As at December 2014, UNHCR assisted over one million refugees and asylum-seekers and two million stateless persons in the South East Asia region.
5. The Regional Office had expenditure of \$3.4 million in 2013 and \$2.8 million in 2014. To implement its projects in the region, it worked with five partners in 2013 and four in 2014. Its office was located in Bangkok and from there it undertook support missions to countries under its purview for assisting persons of concern, when needed, and providing operational and technical support to the country representations. As at 31 December 2014, the Regional Office had 18 approved posts. Based on a decision of the Bureau for Asia and the Pacific in the context of the above-mentioned restructuring, and with the view to save costs, there was only one Administration and Accounts Unit located in the Country Representation in Thailand to serve both the Regional Office and the Country Representation. The Assistant Regional Representative (Administration) supervised the administration and financial management functions of both offices.

6. Comments provided by UNHCR are incorporated in *italics*.

II. OBJECTIVE AND SCOPE

7. The audit was conducted to assess the adequacy and effectiveness of UNHCR governance, risk management and control processes in providing reasonable assurance regarding the **effective management of the UNHCR Regional Office in Thailand**.

8. The audit was included in the OIOS 2015 risk based internal audit work plan for UNHCR due to risks associated with managing and coordinating the provision of international protection to over three million persons of concern in the South East Asia region.

9. The key controls tested for the audit were: (a) strategic planning; and (b) project management. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Strategic planning** - controls that provide reasonable assurance that the Regional Office's strategic plans for programme and protection activities in the region are implemented in alignment with UNHCR global strategic priorities.

(b) **Project management** - controls that provide reasonable assurance that there is proper planning and implementation as well as accurate and complete monitoring and reporting of the Regional Office's project activities.

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

11. OIOS conducted the audit from April to August 2015. The audit covered the period from 1 January 2013 to 31 December 2014 and included a visit to the Regional Office in Bangkok.

12. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews and analytical reviews, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

13. The UNHCR governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding the **effective management of the UNHCR Regional Office in Thailand**. OIOS made three recommendations to address issues identified in the audit.

14. The Regional Office had adequate arrangements in place for ensuring coordination among country operations in the region. It also performed selection and retention of partners in compliance with UNHCR rules. However, there was a need for the Regional Office to: (i) put in place formal controls over the development and monitoring of regional strategies, policies and guidance documents; (ii) establish a multi-functional financial verification team, develop a risk based annual verification plan, and

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

use a standardized reporting template for the verifications; and (iii) develop a work plan for the Regional Protection Unit.

15. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of three important recommendations remains in progress.

Table 1
Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Effective management of the UNHCR Regional Office in Thailand	(a) Strategic planning	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
	(b) Project management	Partially satisfactory	Partially satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Strategic planning

There was a need to put in place formal controls over the development and monitoring of regional strategies, policies and guidance documents

16. The UNHCR Global Management Accountability Framework requires the Regional Office to develop a regional strategy in line with the UNHCR global strategic priorities. The strategy should include goals, outputs and priorities that are defined on the basis of the UNHCR results framework. As per the UNHCR Manual, the Regional Office is also responsible for monitoring all aspects of the operations of the country offices under its coverage.

17. The Regional Office prepared an Annual Operations Plan which was aligned with the global strategic priorities. It also established a protection strategy for the region, as well as standard operating procedures on registration, refugee status determination and resettlement to support the protection strategy. During the period under review, the Regional Office issued 14 policy notes and guidelines for country operations in the region. Review of these policy notes and guidelines indicated that seven of them were marked as “draft” on the title page, as they still required formal approval of the Regional Representative. The Regional Office stated that although the policies and guidelines had been discussed in regional coordination meetings and during missions undertaken by staff of the Regional Office, further deliberations with the Bureau for Asia and the Pacific and the Division of International Protection on some of them were still required.

18. The Representation also prepared multi-year strategies on thematic areas for the region, such as Guidance on the Regional Implementation of the Global Action Plan to End Statelessness by 2024 in Asia and the Pacific and Strategic Roadmap for Voluntary Repatriation of Refugees from Myanmar in Thailand. Although these documents provided guidelines to the country operations in the region on specific issues, the Regional Office did not develop action plans with measurable and achievable targets for their implementation.

19. The reason for the above shortcomings was that the Regional Office had not put in place concrete arrangements, in coordination with the Bureau for Asia and the Pacific, for developing and monitoring the implementation of its regional strategies, policies and guidance documents. As a result, the Regional Office was exposed to a risk of not being able to provide effective long-term strategic direction to the country operations in the region.

(1) The UNHCR Regional Office in Thailand, in consultation with the Bureau for Asia and the Pacific, should put in place formal controls over the development and monitoring of regional policies and guidance documents, and prepare action plans for all finalized and approved regional strategies with specific, measurable and achievable targets for their implementation by the country operations in the South East Asia region.

UNHCR accepted recommendation 1 and agreed with the utility of better monitoring regional strategies and developing action plans with measurable targets. Recommendation 1 remains open pending receipt of evidence of: (a) controls put in place over the development and monitoring of regional policies and guidance documents; and (b) action plans prepared for all finalized and approved regional strategies with specific, measurable and achievable targets for their implementation by the country operations in the region.

Arrangements for ensuring coordination among country operations in the region were satisfactory

20. The UNHCR Global Management Accountability Framework requires the Regional Office to monitor and assess the performance and impact of UNHCR activities in the region through regular field missions and conversations with diverse groups of persons of concern, as well as by effectively using the UNHCR results-based management software, FOCUS.

21. The Regional Office developed systems and procedures to ensure coordination among country operations for achievement of organisational objectives in the region. During the period under review, the Regional Office provided technical support to the country representations in the region through missions and meetings on thematic issues. It provided advice by phone and e-mail and reviewed relevant data directly from FOCUS. When needed, it also arranged training for the staff of the country operations. In this context, the Regional Office organised 12 regional coordination/strategy meetings in 2013 and 2014. It also arranged 119 missions to countries in the region in 2013 and 152 missions in 2014 to provide technical support and to ensure oversight over implementation of UNHCR activities in the region. The Regional Office also developed different forums for improving coordination between the country operations. For example, to meet information needs related to refugees from Myanmar, it established an Information Management Common Service and a Cross Border web portal. OIOS concluded that the Regional Office had satisfactory arrangements in place for ensuring coordination among the country representations in the region.

B. Project management

Selection and retention of partners was performed in compliance with the rules

22. The UNHCR Implementing Partnership Management Guidance Note requires the Regional Office to establish a multi-functional Implementing Partnership Management Committee, which should recommend the selection and retention of partners to the Head of Office based on a thorough assessment of partners against predefined criteria.

23. For the selection and retention of partners, the Regional Office established an Implementing Partnership Management Committee in 2013. A review of the minutes of the meetings of the Committee for 2013 and 2014 indicated that the Committee called for concept notes from all existing and prospective partners, requested them to present their submissions to the Committee, conducted a technical assessment of the concept notes, and reviewed the documents based on predetermined criteria. OIOS concluded that the Regional Office's arrangements for selecting and retaining partners were in compliance with UNHCR requirements.

A multi-functional financial verification team, a risk based annual verification plan and a standardized reporting template for the verifications were required

24. The UNHCR Implementing Partnership Management Guidance Note requires the Regional Office to prepare each year, in consultation with its partners, a risk based plan for the conduct of financial verifications of the project expenditures reported by the partners. It should form multi-functional teams to visit the offices of the partners and review the adequacy of the partners' financial systems and procedures. The Regional Office is also required to use a standard template for reporting on the outcome of the verification exercises in a detailed and systematic manner.

25. The Regional Office conducted 10 financial verifications of its five partners in 2013 and 8 financial verifications of its four partners in 2014. It did not prepare an annual risk based plan for these verifications in consultation with the partners. Instead, it generally conducted them only upon receipt of the bi-annual and annual financial reports of the partners. It also did not establish a multi-functional team for the financial verifications. One of the two programme associates alone carried out the verification of the sole partner in Thailand. For the two partners with offices in Cambodia, the programme associates did not visit the project sites or offices of either partner. Instead, they only performed desk reviews through e-mail communication, based on a number of transactions they had selected from the financial reports of the partners.

26. The audit reviewed 11 financial verification reports for 2013 and 2014 and the financial verification procedures in general. To validate the effectiveness of monitoring controls, OIOS visited the partner in Thailand and noted that it maintained an accounting system and that the expenditures could be traced from the partner's final reports to the transaction journals and vouchers. However, the Regional Office did not use a standard template to record the results of the verifications. In 3 of the 11 reports reviewed, the programme associates who conducted the verifications recorded brief comments on the financial reports of the partners, instead of preparing detailed reports as required. In addition, in two other cases, they only attached exchanges of e-mails instead of preparing a detailed report. As a result, the reviews lacked pertinent comments on the conduct of bank reconciliations, maintenance of accounting records, and procurement activities undertaken by the partners.

27. The above control weaknesses happened because the Regional Office did not set up an adequate management supervision process to ensure the implementation of the required procedures over financial verification of partners. This prevented it from ensuring that its verification teams conducted systematic and in-depth project financial verification that adequately covered high-risk transactions.

(2) The UNHCR Regional Office in Thailand should develop a risk based monitoring plan for financial verification of partners, set up a multi-functional team to visit the premises of the partners to verify the partners' compliance with the project partnership agreements, and use standard templates for presenting detailed results of the financial verifications.

UNHCR accepted recommendation 2 and stated that the Regional Office initiated a process of developing an annual plan for risk based verification of the partners by a multi-functional team. It

was also considering using the draft template developed by the UNHCR Implementing Partnership Management Service for partner project verifications. Recommendation 2 remains open pending receipt of: (a) the annual risk based monitoring plan for financial verification of partners; (b) confirmation that a multi-functional verification team has been established; and (c) evidence that the financial verification reports are systematically prepared using a standard template.

A work plan needed to be prepared for the Regional Protection Unit

28. According to UNHCR Global Management Accountability Framework, the key functions of a Regional Protection Unit are: regional strategy development, advice and support to the country operations; advocacy and research on protection thematic issues; and capacity building of the regional protection staff. The UNHCR Manual requires the Regional Office to prepare work plans with specific deliverables and target dates to evaluate the achievement of the objectives and targets assigned to its Regional Protection Unit.

29. The Regional Office had nine posts in its Regional Protection Unit of which two were vacant. Review of the activities of the Unit confirmed that, although its geographical coverage was very wide as it included all UNHCR operations in South East Asia, South Asia, Central Asia, and the Pacific, it provided effective support to the country operations in accordance with the Global Management Accountability Framework. The Unit specified its protection strategy in the Annual Operations Plan for the Regional Office and reported the progress on the strategy in the following year's Annual Operations Plan and Key Indicator Reports. It also monitored its work progress through FOCUS. However, it did not prepare a work plan for the Unit specifying the goals, deliverables and targets for the achievement of its objectives.

30. The reason for not developing a Unit work plan was the increase in the volume of work in 2014 because of unexpected increase in the arrival of refugees and stateless persons in the region. However, without a work plan, the Regional Office was unable to monitor the achievement of the goals, deliverables and targets assigned to the Regional Protection Unit and to assess whether the Unit had adequate resources to achieve such goals, deliverables and targets.

(3) The UNHCR Regional Office in Thailand, in coordination with the Bureau for Asia and the Pacific, should prepare a work plan for the Regional Protection Unit.

UNHCR accepted recommendation 3 and stated the Regional Protection Unit would prepare a work plan which would include the monitoring of regional policies. Recommendation 3 remains open pending receipt of the work plan for 2016 for the Regional Protection Unit.

IV. ACKNOWLEDGEMENT

31. OIOS wishes to express its appreciation to the Management and staff of UNHCR for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General, Acting Head
Office of Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the Regional Office in Thailand for the Office of the United Nations High Commissioner for Refugees

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	The UNHCR Regional Office in Thailand, in consultation with the Bureau for Asia and the Pacific, should put in place formal controls over the development and monitoring of regional policies and guidance documents, and prepare action plans for all finalized and approved regional strategies with specific, measurable and achievable targets for their implementation by the country operations in the South East Asia region.	Important	O	Submission to OIOS of evidence of: (a) controls put in place over the development and monitoring of regional policies and guidance documents; and (b) action plans prepared for all finalized and approved regional strategies with specific, measurable and achievable targets for their implementation by the country operations in the region.	31 March 2016
2	The UNHCR Regional Office in Thailand should develop a risk based monitoring plan for financial verification of partners, set up a multi-functional team to visit the premises of the partners to verify the partners' compliance with the project partnership agreements, and use standard templates for presenting detailed results of the financial verifications.	Important	O	Submission to OIOS of: (a) the annual risk based monitoring plan for financial verification of partners; (b) confirmation that a multi-functional verification team has been established; and (c) evidence that the financial verification reports are systematically prepared using a standard template.	31 March 2016
3	The UNHCR Regional Office in Thailand, in coordination with the Bureau for Asia and the Pacific, should prepare a work plan for the Regional Protection Unit.	Important	O	Submission to OIOS of the work plan for 2016 for the Regional Protection Unit.	31 March 2016

² Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

³ Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by UNHCR in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the Regional Office in Thailand for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	The UNHCR Regional Office in Thailand, in consultation with the Bureau for Asia and the Pacific, should put in place formal controls over the development and monitoring of regional policies and guidance documents, and prepare action plans for all finalized and approved regional strategies with specific, measurable and achievable targets for their implementation by the country operations in the South East Asia region.	Important	Yes	Assistant Regional Representative (Protection)	to be determined	The Representation will undertake the required consultation with the Bureau for setting specific targets to record progress of the implementation of this broad recommendation. The Representation agrees with the utility of better monitoring regional strategies and developing, in conjunction with the Bureau, action plans with measurable targets.
2	The UNHCR Regional Office in Thailand should develop a risk based monitoring plan for financial verification of partners, set up a multi-functional team to visit the premises of the partners to verify the partners' compliance with the project partnership agreements, and prepare standard templates for presenting detailed results of the financial verifications.	Important	Yes	Assistant Regional Representative (Programme)	* (1) Development of annual risk-based monitoring plan for 2016 operations: 31 March 2016 * (2) Application of the standard templates: July 2016 (mid-year partner project verification, following test use at the verification	Preparation and planning for development of an annual plan (1) and use of standard templates (2) for partner project verification has been initiated using the framework of the multi-functional Implementing Partnership Management Committee (IPMC). It currently considers use of the draft templates for the partner project verification provided by the Implementing Partnership Management Section (IPMS) in May 2015 in draft for the partner project verifications by the Regional Office.

¹ Critical recommendations address critical and/or pervasive deficiencies in governance, risk management or control processes, such that reasonable assurance cannot be provided with regard to the achievement of control and/or business objectives under review.

² Important recommendations address important (but not critical or pervasive) deficiencies in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the Regional Office in Thailand for the Office of the United Nations High Commissioner for Refugees

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
					of the 1 st quarter partner reports.	
3	The UNHCR Regional Office in Thailand, in coordination with the Bureau for Asia and the Pacific, should prepare a work plan for the Regional Protection Unit.	Important	Yes	Assistant Regional Representative (Protection)	to be determined	The recommendation is accepted and indeed the work plans will include the monitoring of policies called for in paragraph 17 of the report.