AUDIT

OF

UNDP COUNTRY OFFICE

IN

THAILAND

Report No. 2412
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Report on the Audit of UNDP Thailand
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Thailand (the Office) from 9 to 30 August 2021. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

(a) Governance
(b) Development activities
(c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

OAI designed two performance audit questions to guide the review of the following areas:

(a) Finance
   i. Were payments to vendors processed in a timely manner?

(b) Human resources
   i. Were recruitments completed in a timely manner?

The audit covered the activities of the Office from 1 January 2020 to 31 July 2021. The Office recorded programme and management expenses of approximately $14.6 million. The last audit of the Office was conducted by OAI in 2017.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

(a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
(b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team’s understanding of the Office’s working environment.
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
(d) A physical verification of assets was not performed.
(e) Safe contents and petty cash were not verified.
(f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office’s performance as fully satisfactory, which means “The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.”

Good practice

The Office had instituted regular monthly integrated programme meetings bringing together Office staff, project personnel, implementing partners and management to discuss project progress and challenges faced in implementing project activities. These meetings enabled the identification of solutions to issues
affecting project progress. The meetings supported the Office in achieving its programme delivery target in 2020, during the COVID-19 pandemic.

**Key recommendation:** Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means “Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.” This recommendation includes actions to review the institutional set-up for operational support services.

The recommendation aims to ensure effectiveness and efficiency of operations.

**Management comments and action plan**

The Resident Representative accepted the recommendation and is in the process of implementing it. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations
I. About the Office

The Office, located in Bangkok, Thailand (the Country) and its Country Programme covered the period 2017–2021 with the following development priorities:

a) promoting anti-corruption, inclusive engagement and social cohesion; and
b) promoting green and inclusive growth.

During the period from January 2020 to July 2021, the Office spent $12.4 million on development activities, an increase by 8 percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

<table>
<thead>
<tr>
<th>Title</th>
<th>Expenditure Jan to Dec 2020 $</th>
<th>Expenditure July 2021 $</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strengthening Capac. &amp; Incentives for Wildlife Conservation</td>
<td>1,235,383</td>
<td>653,399</td>
</tr>
<tr>
<td>COVID-19 Social &amp; Economic Response and Recovery</td>
<td>974,931</td>
<td>988,562</td>
</tr>
<tr>
<td>Low Carbon Growth in Cities through Sustainable</td>
<td>792,589</td>
<td>316,492</td>
</tr>
<tr>
<td>FS: Maximizing Carbon Sink Capacity</td>
<td>1,047,770</td>
<td>0</td>
</tr>
<tr>
<td>Sixth Operational Phase of the GEF Small Grants Project</td>
<td>330,752</td>
<td>516,689</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,381,425</strong></td>
<td><strong>2,475,142</strong></td>
</tr>
</tbody>
</table>

The largest sources of funding of the Office's development activities for the period covered by the audit were:

<table>
<thead>
<tr>
<th>Donor</th>
<th>Funding for the period $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Environment Facility (GEF)</td>
<td>8.3</td>
</tr>
<tr>
<td>Japan</td>
<td>2.5</td>
</tr>
<tr>
<td>UN agencies</td>
<td>1.2</td>
</tr>
<tr>
<td>Thailand</td>
<td>2.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.0</strong></td>
</tr>
</tbody>
</table>

Other critical information

Due to the COVID-19 pandemic, lockdowns and restrictions on movement were imposed in the Country during certain periods of 2020 and 2021. As a result, various government institutions and national implementing partners were unable to operate during certain times. As a result, the Office implemented its business continuity plan during this period.

II. Good practice

OAI identified a good practice, as follows:

The Office had instituted regular monthly integrated programme meetings, which comprised Office staff, project personnel, implementing partners and management to discuss project progress, risks and challenges faced in implementing project activities. These meetings enabled the identification of solutions
to issues affecting project progress. Actions to be taken to address project issues were recorded and tracked to ensure timely intervention. Further, these meetings enhanced communication and cross-learning and knowledge sharing, and internal coordination across projects and among key stakeholders. The Office added that these integrated programme meetings have been institutionalized as a response to UNDP’s mandated role to serve as an integrator in delivering on the 2030 Agenda for sustainable development.

The meetings supported the Office in achieving its programme delivery target in 2020, during the COVID-19 pandemic.

III. Audit results

Satisfactory performance was noted in the following areas:

(a) **Development Activities.** A review of programme and project management activities indicated that adequate controls were established and working effectively. No reportable audit issues were observed.

(b) **Operations – Finance.** A review of various processes and transactions, including samples of payment vouchers, indicated that adequate controls were in place.

(c) **Operations – Human Resources.** The audit team reviewed various processes related to recruitments and separations of personnel. It was noted that adequate controls were established and working effectively.

(d) **Operations – Administrative Services.** The audit disclosed that adequate controls were in place in administrative services reviewed, such as asset management and travel management. No reportable audit issues were observed.

(e) **Operations – Information and Communication Technology.** The Office’s business continuity and disaster recovery plan had been tested and implemented satisfactorily during the audit period. No reportable audit issues were noted.

The assessment of performance audit questions was as follows:

(a) Finance
   
i. Were payments to vendors processed in a timely manner?

The audit team assessed whether payments were completed within 30 days of receipt of invoices. Out of 3,821 payment vouchers issued during the audit period, with a value of $23.08 million, there were 173 instances amounting to $1.26 million where payments were made ranging from 37 to 370 days after the invoice date. The Office attributed the delays mainly to disruptions in the supply chain due to the COVID-19 pandemic and the additional time taken by the Global Shared Services Unit to process these payments.

Due to the low incidence rate of 0.04 percent (173 out of 3,821), the issue was assessed as low risk.

(b) Human Resources
   
i. Were recruitments being completed in a timely manner?

The standard operating procedure (SOP) established by the Office regarding the amount of time to be taken for human resources/recruitment was 81 working days for fixed-term appointments and 69 working
days for service contract holders. During the audit period, the Office recruited 10 staff on fixed-term contracts and 36 personnel on service contract. A sample of 8 recruitments (3 fixed-term appointments and 5 service contract holders) was selected for detailed review.

- The recruitment of fixed-term appointment staff took an average of 93 working days (i.e., 12 days more than the SOP).
- The recruitment of service contract holders took an average of 71 working days (i.e., 2 days more than the SOP).

Considering that the recruitments were being completed during the COVID-19 pandemic, which had disrupted regular office operations, the deviation was considered acceptable.

OAI made one recommendation ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

**Medium priority recommendation:**

(a) Review the institutional set-up for the provision of operational support services (Recommendation 1).

The detailed assessment is presented below, per audit area:

**A. Governance/Organizational chart and overall staffing**

**Issue 1**  
*Inadequate operational support*

The Office’s operational support services were being provided by Transactional Services Team (TST), which resided within the Bangkok Regional Hub. This arrangement had been in place since 2005 and was intended to save costs by excluding dedicated procurement and HR staff in the Office and offering standardized transactional services.

While the level of services offered in the last 17 years had been reviewed annually observed weaknesses have not been led to a broader review on the best outsource modality.

The transactional services offered showed weaknesses in capturing exceptional cases such as expediting procurement requests, follow up on staff exit protocols, knowledge transfer on specific HR and procurement issues for new staff. The transactional services offered also showed weaknesses, delays, in higher level services without dedicated HR and procurement staff such as the creation of Talent Management Review Group or midyear reviews for service contract holders.

The Office indicated that TST provided standardized transactional support services with little advisory input due to not being embedded within the Office’s structure, and it being disconnected from the day-to-day running of the programme and projects.

If the Office does not receive the appropriate level of support in respect of its operational needs, the Office may face delays in achieving project objectives.
<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 1:</strong></td>
<td></td>
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<tr>
<td>The Office, in consultation with the Bangkok Regional Hub, should review the institutional set-up for the provision of operational support services and review the cost benefit of the current level of operational support within the Office.</td>
<td></td>
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</tbody>
</table>

**Management action plan:**

The Office takes note and welcomes the recommendation. Since TST is a shared resource hosted in the Bangkok Regional Hub, consultation has started with the Bureau to agree on the way forward. The Office has discussed the matter and agreed to monitor progress of the performance of TST against the expectations and needs over the coming four months and look into different institutional set-up options, including their financial feasibility, for the provision of adequate operational services to the implementation of programme and activities.

**Estimated completion date:** March 2022
Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- Fully Satisfactory
  The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.

- Satisfactory / Some Improvement Needed
  The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.

- Partially Satisfactory / Major Improvement Needed
  The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.

- Unsatisfactory
  The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- High (Critical)
  Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.

- Medium (Important)
  Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.

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