



**EUROPEAN COMMISSION**  
DIRECTORATE-GENERAL FOR HUMANITARIAN AID - ECHO

Directorate B Resources, Finances, Legal affairs  
Unit B/1 Budgetary planning and procedure, AMP/SPP, Audit  
Information Systems, Document Management  
Head of unit

CC: T8/B/C

Nummer:
Ingek.: - 1 OKT 2007
Te behandelen door: <i>H&amp;M</i> Unit: Information Technology and Opht:

Ref. nr.	Bf. nr.
<i>T#003101</i>	
Date: <i>1.10.2007</i>	
Te behandelen door:	
<i>CR</i>	Datum:
<i>EUG</i>	

Brussels,  
CS/D (2007)

Réf. D *1963*

Mr. Hans Bruning  
International Director  
ICCO  
Joseph Haydnlaan 2a  
3533 AE UTRECHT  
The Netherlands

21 09. 2007

Dear Mr. Bruning,

**Subject: Field audit of DG ECHO funded project in Thailand: 07-ECHO-340**

**Project audited: ECHO/-XA/BUD/2006/01001**

Please find attached the final audit report on the above-mentioned project.

You should please ensure that any existing or future DG ECHO grant agreements you have with the Commission reflect the recommendations stemming from the audit. During subsequent audits, DG ECHO will follow-up on actions taken by you.

DG ECHO now considers the current audit as closed.

Finally, I would like to use this occasion to thank you and your staff for your co-operation in respect of this audit.

Yours sincerely,

*Vijay Bhardwaj*  
Vijay BHARDWAJ

Enclosure

## DG ECHO FIELD AUDIT REPORT

<b>NGO name:</b>	Interchurch Organisation for Development Co-operation (ICCO)  <u>Implementing partner:</u> Thailand Burma Border Consortium (TBBC)
<b>Country:</b>	Thailand
<b>Grant audited:</b>	ECHO/-XA/BUD/2006/01001 for EUR 6,000,000
<b>Title:</b>	Food and Cooking Fuel for Refugees from Burma, THAILAND
<b>Audit reference</b>	07-ECHO-340

**Auditor:** C. Stanford

**Reviewer:** M. Jansen

**Date:** 20 September 2007

## CONTENTS

1	Executive Summary	3
2	Audit Opinion	7
3	General Information	8
4	Methodology	8
5	Organisation	10
6	Compliance with HQ and FPA Procedures	13
7	Accounting System and IT	14
8	Cash and Bank	15
9	Personnel	16
10	Fixed Assets	17
11	Procurement	17
12	Stocks and Stock Control	20
13	Fraud and Corruption Policies	20
14	Field Operational Practices	21
15	Site Visit	21
16	Visibility	28
17	Results of Substantive Testing	29
18	Partner's Comments	31

Annex 1 – Recommendations for Systems Improvement

Annex 2 – Follow-up of Previous Audits

Annex 3 – Organisational Chart for TBBC in Thailand

Annex 4 – Glossary

# 1 Executive Summary

## 1.1 OBJECTIVES OF THE AUDIT

The main objective of the audit is to provide assurance to the European Commission as represented by DG ECHO that the funds are safeguarded and used for purposes intended and that activities are carried out in accordance with the grant agreement by undertaking audit work in the country in which the grant agreement is being implemented.

The scope of this audit covers one grant agreement: ECHO/-XA/BUD/2006/01001 (food and cooking fuel to refugees from Burma in Thailand). The audit covered both field and office operations.

It should be noted that whilst the DG ECHO grant agreement was signed by ICCO (DG ECHO's FPA partner), the activities at field level are undertaken by the NGO the Thailand Burma Border Consortium (TBBC) as an implementing partner. The scope of this field audit is therefore limited to the operations of the TBBC at field level.

## 1.2 SUMMARY OF FINDINGS/CONCLUSIONS OF AUDIT TESTS

### 1.2.1 Audit risk (assessment of the state of internal controls)

An initial review of internal controls indicates a **low overall audit risk**.

Of the eleven areas reviewed, the field operations of TBBC have been identified as medium risk in:

- Organisation;
- Cash and bank;
- Fixed assets;
- Visibility;

And high risk in

- Fraud and Corruption Policies.

The reasons for the above risk ratings being awarded are as follows:

Category	Reason for risk rating
Organisation	TBBC does not have exemption from VAT in Thailand.
Cash and bank	The Thai bank account of TBBC requires one signature for amounts of less than THB 50,000 (approx. EUR 1,136). However, given the limited number of signatories located in field offices, the more modest sums paid at field office level and the degree of control exercised by the Finance Department in Bangkok, the arrangements are considered as adequate. In addition, cash reserves equated to approximately 1 month's expenditure and prompt payment by donors is essential to ensure on-going liquidity. DG ECHO paid promptly.
Fixed Assets	Assets are not linked to donors. However, no assets are purchased with DG ECHO funds. When donor-linkage was factored out of the responses, the level of risk was low.
Visibility	Due to the response that no formal reporting is made on visibility measures adapted for DG ECHO-funded activities. However, measures taken by TBBC in respect of DG ECHO-funded activities are reported in the 6-monthly Programme Report.

Category	Reason for risk rating
Fraud and corruption policies	Whilst TBBC does not term its approach as a "fraud and corruption policy" its Staff Policy Manual clearly specifies the categories of serious and gross misconduct that will lead to warnings and / or dismissal. However, TBBC staff do not have training in the awareness and identification of fraud, and there is no procedure set down as to how a suspected fraud would be investigated.

### **1.2.2 Expenditure: Eligibility and supporting documentation**

Substantive testing was satisfactory, and the only major issue to arise is that TBBC is incurring significant amounts in respect of VAT (estimated at approximately EUR 75,000 at the time of the audit).

TBBC's procurement procedures at field level are independent of ICCO but respect the requirements of Annex V of the FPA. TBBC's files are well organised and provide adequate evidence of the need to procure through competition. Certain improvements should be made to further improve the transparency of the process (e.g. declarations of impartiality and confidentiality, formal notification to rejected firms, consistency in evaluation form entries / contract cross-references). The frequency of tendering could also be usefully reviewed, if necessary in consultation with DG ECHO.

### **1.2.3 Implementation of activities**

It is evident that the majority of food and fuel is being delivered and distributed to beneficiaries within the camps. Within the supply chain, there is a good system of documentation that records quantities ordered, delivered and distributed. However, it is equally clear that, at the margins, there are various factors that undermine the veracity of the population figures and the eligibility of certain categories of beneficiary, with consequent implications for the amount of food / fuel that should be procured with DG ECHO funds.

The population feeding figures are compromised by the lack of a baseline figure. In addition, the variety of lists (in different formats) held by section leaders in the camps and the handwritten, manual transposition of data during the process of compiling the monthly feeding figure forms serve to complicate procedures and increase the risk of errors.

Eligibility criteria specifying who is entitled to receive assistance are unclear. Section 2.2.f of the Single Form indicates that feeding population figures take account of absentees from the camps but it is questionable as to whether these people require assistance, particularly if such absences are prolonged and those concerned have not returned to collect their identity cards at the camp.

Intransigence on the part of the Royal Thai Government (RTG) Ministry of Interior (MoI) has resulted in an un-quantified number of new arrivals in the camps who are unable to register as refugees, but who are likely to require assistance as much as the more established residents. One must also be mindful of a potential pull factor that the camps may generate if economic migrants are drawn to them by the prospect of resettlement to third countries, rather than fleeing persecution in Myanmar.

It would appear that the camp committees have honourable intentions to feed all those in the camps but that their actions are being influenced by the difficulties of having to assist those who are unregistered. In effect, the committees are "working the rules" and exploiting slack within the system created by absentees from the camps to claim food and fuel for non-registered arrivals.

Section leaders within the camps at Umpiem and Nu Po were seen to have a good knowledge of the households (and their circumstances) that reside in the section for which they are responsible, and camp committees are unofficially defining their own eligibility criteria for selecting beneficiaries.

This report is the property of the European Commission and may be distributed to third parties only after notifying the European Commission represented by DG ECHO.

Committees expressed a willingness to do this in the future but would welcome further guidance from TBBC. From discussions with TBBC staff, it is certain that section leaders would know who, among their sections, those who were genuine fleers from persecution or other troubles, those who were absent and those who were there as economic migrants. They would be well placed to identify and select those most deserving of assistance if the criteria were suitably well defined.

Field staff of TBBC were seen to have a positive working relationship with members of the committees at the two camps visited, and it is considered that this provides a solid basis for improving information flow and working procedures between TBBC and the camps.

Monitoring is well structured, periodic, provides an effective system of feedback to activities in the camp and serves to highlight those areas where corrective action may be necessary. However, certain improvements should be considered to ensure that totals (population feeding figures, quantities ordered / delivered, and subsequent distributions) reconcile through the supply chain and are substantiated by underlying records at section leader level.

### 1.3 RECOMMENDATIONS FOR SYSTEMS IMPROVEMENT

All recommendations arising from the audit, most of which are addressed to TBBC, are included in Annex 1. The comments of ICCO (and TBBC) are also included. The most important recommendations are shown below.

Rating *	Recommendation	Accepted (Y/N)	Urgency
5	<u>Organisation</u> An application should be made to the RTG for exemption from VAT.	Y	Within 3 months
4	<u>Accounting Systems and IT</u> TBBC should seek to retain a sufficient cash reserve to ensure adequate liquidity and to enable continuation of activities in the event of delayed contributions from donors.	Y	On-going
4	<u>Procurement</u> Evaluation committee members should sign declarations of impartiality and confidentiality.	Y	Immediate
5	The Evaluation of Tender / Contract Award (Form 015) should contain the signatures of all the evaluation committee members.	Y	Immediate
5	The evaluation committee should ensure that data underpinning the reasons for selection / rejection of offers is clearly stated on the Evaluation of Tender / Contract Award (Form 015).	Y	Immediate
4	Firms whose offers are rejected should be formally notified.	Y	Immediate
5	The frequency of tenders should be reviewed, and advice sought from DG ECHO as appropriate.	Y	3 months

Rating	Recommendation	Accepted (Y/N)	Urgency
5	<u>Site visit</u> Measures should be taken to verify the accuracy of the feeding population figures. Such measures could include: <ul style="list-style-type: none"> <li>- a baseline survey verified by sample, against section leaders' records</li> <li>- consolidated, standardised lists of all households per section</li> <li>- written agreement between TBBC and the camp committee concerning the criteria for eligibility to receive assistance</li> <li>- inclusion of UNHCR identify card numbers on lists</li> <li>- provision by TBBC of pre-printed templates for lists (and expensed as a direct cost under the DG ECHO grant agreement)</li> </ul>	Y	3 months
5	Donors, such as the DG ECHO office and EC Delegation in Bangkok, (in consultation with TBBC), should approach the Royal Thai Government (RTG) requesting greater flexibility to enable new arrivals to the camps to register as refugees and to permit measures to increase the self-reliance of refugees in the camps.	Y	On-going
4	Procedures governing ration cards should be enhanced: <ul style="list-style-type: none"> <li>- completed cards to be returned to TBBC at year's end</li> <li>- cards of departed households to be returned to TBBC</li> </ul>	Y	Immediate
5	Measures should be introduced to further enhance the existing monitoring procedures. These should include: <ul style="list-style-type: none"> <li>- procedures to verify the accuracy of the population feeding figures</li> <li>- verification that changes (births / deaths etc.) are made to ration cards</li> <li>- procedures to ensure that totals of feeding figures, and quantities of rations delivered and distributed reconcile through the supply chain and that the totals are supported by, and agree with, underlying documentation held at section level</li> <li>- updating of the monitoring manual to include additional and / or revised procedures.</li> </ul>	Y	3 months

Ratings are:  
5 - Very important  
4 - Important

## 1.4 FOLLOW-UP OF PREVIOUS HQ AUDITS

A previous HQ audit was conducted at ICCO by the Polaris Network (an external firm contracted by DG ECHO to undertake audits at HQ of DG ECHO Partners) in May 2006 (reference 05-BA22-032). No recommendations made in respect of this audit were directly applicable to the activities of TBBC in Thailand which is the subject of this report.

## 1.5 FOLLOW UP OF PREVIOUS DG ECHO FIELD AUDITS

A previous field audit was conducted at TBBC by DG ECHO in October 2003 (reference 03-ECHO-227). Follow-up given to the audit by ICCO / TBBC is summarised in Annex 2. Of the 14 recommendations made, all have been implemented but it is considered that further action is required concerning 3 recommendations that related to monitoring procedures.

## 2 Audit Opinion

An audit of the funds used in the field by TBBC (as Implementing Partner of ICCO) in Thailand has been carried out for the period from the start date up to the audit date (7 June 2007) in the implementation of the following DG ECHO grant agreement:

Grant agreement	Period	Amount spent (EUR)*	Percentage of budget	Amount tested
ECHO/-XA/BUD/2006/01001	01/01/2007-31/12/2007	2,672,728	45%	233,162 #

\* Figure based on TBBC spend at 7/6/07 of THB 117,640,138 converted at InforEuro rate for June 2007 of 44.015

# Figure based on sample of THB 10,262,641 converted at InforEuro rate for June 2007 of 44.015

The objective is to express an independent opinion, based on the audit, on the financial systems and controls in place in the field.

The audit was conducted in accordance with applicable International Standards of Auditing.


The audit included an examination, on a test basis, of evidence relevant to the amounts attributed at the time of the audit to the DG ECHO grant agreement subject to audit, as well as a physical verification of a sample of activities.

The primary responsibility for the prevention and detection of fraud and error rests with those charged with the governance and management of TBBC. It is the responsibility of those charged with the governance of TBBC to ensure, through oversight of management, the integrity of the accounting and financial reporting systems and that appropriate controls are in place. It is the responsibility of the management of TBBC to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible the orderly and efficient conduct of the TBBC's affairs. This responsibility includes implementing and ensuring the continued operation of accounting and internal control systems which are designed to prevent and detect fraud and error. Such systems can only reduce but not eliminate the risk of misstatements, whether caused by fraud or error. Management retains responsibility for any remaining risk.

In the auditor's opinion:

- The systems of internal controls operated by TBBC in the field are good, except for the matters listed under section 1.2.1 above.
- Grant agreement funds expended in the field in the period 1 January to 7 June 2007 for ECHO/-XA/BUD/2006/01001 have been used in accordance with the contractual basis as set out in the DG ECHO Framework Partnership Agreement and the relevant grant agreements, except for the matters listed under section 1.2.2 above.
- Implementation of activities has been carried out in accordance with the contractual basis, as set out in the DG ECHO Framework Partnership Agreement and the relevant grant agreement, except for the matters listed under section 1.2.3 above.

Signed

  
Chris Stanford

DG ECHO External Audit Sector



### 3 General Information

Name of NGO audited:	Signatory to DG ECHO grant agreement: Interchurch Organisation for Development Co-operation (ICCO) Implementing partner: Thailand Burma Border Consortium (TBBC)
DG ECHO Reference:	FPA 2003 3-058
Responsible Country Officer at ICCO	Elske van Gorkum
Street and Number:	Joseph Haydnlaan 2a
District:	
Postal Code:	3533 AE
City:	Utrecht
Country:	Netherlands
Audit Date:	7/06/2007 to 15/06/2007

Closing Meeting:	15 June 2007
Audited Organisation:	Thailand Burma Border Consortium
	Jack Dunford, Executive Director
	Sally Thompson, Deputy Executive Director
	Brian Brook, Financial Controller
	Chonrada Venin, Procurement Manager
	Chris Clifford, Field Co-ordinator
Auditor:	Chris Stanford

Grant agreement Number:	ECHO/-XA/BUD/2006/01001
Description of Activity:	Food and Cooking Fuel for Refugees from Burma, THAILAND
Programme:	FPA 2003-2007
Country of operation:	Thailand
Type of grant agreement decision:	Ad hoc
Period of entire grant agreement:	01/01/2007- 31/12/2007
DG ECHO contribution in EUR	6,000,000
DG ECHO contribution in %	100%

#### Budget Agreement ECHO/-XA/BUD/2006/01001

Code	Description	EURO Budget	Budget line as % of total	EURO Expenditure *	Expenditure % to 7/06/2007
	Agreement period	1/01/07-31/12/07			42% of agreement period
01	Goods and services delivered to the beneficiaries	5,827,000	97	2,672,728	46
01.01	Food security	4,340,640	72	2,037,606	47
01.06	Non-food items	1,486,360	25	635,122	43
02	Support costs	13,000	1	0	0
02,08	Visibility and communication program	13,000	1	0	0
03	Indirect costs	160,000	2	0	0
	Total eligible costs	6,000,000	100	2,672,728	45

\* Note: Figure based on TBBC spend at 7/6/07 of THB 117,640,138 converted at InforEuro rate for June 2007 of 44.015

## **4 Methodology**

### **4.1 OBJECTIVES OF THE AUDIT**

The main objective of the audit is to provide assurance to the European Commission as represented by DG ECHO that the funds are safeguarded and used for the purposes intended and that activities are carried out in accordance with the grant agreement by undertaking audit work in the country in which the grant agreement is being implemented.

The audit must ascertain whether, for expenses incurred at the time of the audit:

- The system of internal control governing activities is satisfactory;
- Expenses at the time of the audit fit into one of the categories of the contractual budget agreed and budget chapters/total have either not been exceeded, or have not been exceeded by more than the permitted percentage;
- Expenses are adequately supported by original supporting documentation have been incurred during the eligibility period and have been properly accounted for;
- For assets, stocks, leftovers, declared as used, there is proof of the existence of the assets;
- The procurement practices implemented are adequately documented and are in line with the FPA and the grant agreement;
- The physical activities of the operation were implemented as set out in the DG ECHO grant agreement.

Further, information will be obtained which might provide input into the verification of the final cost claim.

### **4.2 AUDIT APPROACH**

The audit approach is systems based. It involves a review of systems, structures and controls to identify the level of audit risk associated with the field operations of TBBC and then substantive testing of transactions by reference to underlying documents taking into account the risk level identified. To implement this approach a Risk Evaluation Questionnaire (REQ) is used. The completed REQ gives an indication of the control environment, low, medium or high risk. The REQ covers eleven areas, namely:

1. Organisation;
2. Compliance;
3. Accounting Systems and IT;
4. Cash and Bank;
5. Personnel;
6. Fixed Assets
7. Procurement;
8. Stocks;
9. Fraud and Corruption Policies;
10. Field Operational Practices;
11. Visibility.

This report is the property of the European Commission and may be distributed to third parties only after notifying the European Commission represented by DG ECHO.

The responses given to the REQ, together with the supporting evidence received from TBBC, have been reviewed and evaluated. The primary purpose in doing so was to establish the level of audit risk and the review cannot be relied upon to have detected all deficiencies and weaknesses that a full management audit might reveal. However, as a result of its completion and evaluation, recommendations for systems improvements have been identified.

The REQ was completed on the basis of current systems and controls in place at the country and field offices of the TBBC in Thailand.

It should be emphasised that individual management actions will not be under particular scrutiny and the aim of the report is not to apportion blame to individuals or organisations. Descriptions of systems failures can best be understood as providing recommendations for the future to ensure effective management of future grant agreements.

In addition, the responses to the REQ were audited through examination of certain physical activities in the field. Given the diversity of activities, their geographical dispersion, security and time constraints, testing was undertaken on a sample basis and at a level not always statistically appropriate to the risk levels identified.

### **4.3 SUBSTANTIVE TESTING**

The substantive testing is intended to verify the validity of transactions by inter alia reference to original supporting documentation (e.g. invoices), accounting entries in the records maintained by the TBBC and the procedural requirements of the grant agreement (e.g. in respect of tendering procedures), and physical implementation of activities.

## **5 Organisation**

### **5.1 SUMMARY PROFILE OF THE FIELD OPERATIONS OF THE NGO UNDER AUDIT**

#### ***5.1.1 Legal basis and field of activity***

TBBC was established in 1984 in Thailand by a group of NGOs and church organisations to provide assistance to people displaced by conflict in Burma (Myanmar). The organisation was registered as a Company limited by guarantee in 2004 in the UK and was granted charity commission status in 2005. It is not a locally registered NGO but operates under an annual licence from the Royal Thai Government (RTG).

The vision and core strategies of TBBC are outlined in a Strategic Plan 2005 – 2010 available on the TBBC website. Its mission is to work together with displaced people of Burma (Myanmar) to respond to humanitarian needs, strengthen self-reliance and promote appropriate and lasting solutions in pursuit of their dignity, justice and peace.

TBBC's HQ is located in Bangkok and certain staff are based in 4 field offices of varying size in Mae Sariang, Mae Hong Son, Mae Sot and Sangklaburi. The DG ECHO-funded activities are administered at HQ and the field office at Mae Sot.

TBBC does not have exemption from VAT and, to date, has not applied for exemption. It is the policy of DG ECHO to encourage its partners to apply to the national authorities for exemption from national taxes and levies. Within the activities under audit it is understood that all items except rice and beans are liable to VAT at 7%.

An analysis of spend up to 7 June 2007 indicates the following:

Product (liable for VAT)	Actual expenditure (THB)
Fish paste	794,640
Salt	96,960
Oil	11,806,834
Chillies	322,560
Blended food	9,439,147
Charcoal	<u>27,954,890</u>
Total (including VAT)	50,415,031
Total (excluding VAT)	47,116,851
VAT at 7%	3,298,180 (EUR 74,933.08 at the InfoEuro rate for June 2007)

If spend on VAT-liable items were to be extrapolated across the total available budget for food and non-food items, it is estimated that some EUR 160,000 of VAT would be incurred. The VAT rules, as provided to the auditor, do not appear to clearly provide for the possibility of exemption to an organisation such as TBBC (local NGO operating under licence). Nevertheless, TBBC should make every effort to request an exemption from the RTG, if necessary with the support of the European Commission offices (DG ECHO, EC Delegation) in Bangkok.

#### ***5.1.2 An overview of TBBC's activities:***

The TBBC's Financial Statements for 2006 state total income of THB 1,155,579,000 (some EUR 24 – 25 million) from 15 different, Government-backed donors, plus small amounts of non-Government and voluntary income. TBBC adopts a policy of relying on member and partner agencies (such as ICCO) to negotiate grants from their Governments and to contribute their own counterpart and other private funding. Principal donors in this respect during 2006 were DG ECHO (via ICCO), US Population for Refugee and Migration - USA – PRM (via IRC), and SIDA (via Diakonia). TBBC perceives the advantages of this approach as partners being closer to their own Governments and therefore more familiar with specific proposal and report writing requirements, improved national advocacy and reduced administrative demands placed on TBBC.

There are no "projects" defined as such but TBBC does allocate "ring-fenced" funds (such as the DG ECHO grant via ICCO) to specific activities in accordance with donors' requirements.

#### ***5.1.3 Organisation Chart***

See Annex 3 for the TBBC organisational chart. The chart is reviewed every 6 months and amended as required. There are no staff charged under the DG ECHO grant agreement.

#### ***5.1.4 Characteristics of management style***

Management of field operations is relatively centralised. Whilst the field office at Mae Sot is able to plan activities and has funds available via a bank account and an imprest account, the tasks of procurement and financial accounting and reporting are managed by TBBC HQ in Bangkok.

### **5.1.5 Management of activities**

A plan is specified in section 4.10 of the Single Form. This is essentially cyclical and is geared to periodic identification of food and non-food needs within the camps and subsequent procurement. Monthly monitoring and reporting arrangements ensure that progress can be effectively tracked.

### **5.1.6 Internal audit**

TBBC, due to its size, has no internal audit department. However, various staff at ICCO undertake visits to TBBC to review the organisation. The ICCO finance officer visited TBBC in early 2007 to review financial processes. The ICCO quality controller / internal auditor has undertaken desk reviews of various TBBC dossiers and is currently formulating proposals to undertake visits to the field to perform quality reviews of ICCO-funded activities (which would include TBBC). In addition, the Desk Officer at ICCO responsible for Thailand undertakes periodic visits to review activities.

### **5.1.7 External control bodies**

The TBBC is not subject to audits by RTG bodies. However, as a registered UK charity, the annual financial statements are subject to statutory external audit. Audits of the statements for 2005 and 2006 were seen by the auditor and both contained clean opinions.

### **5.1.8 Local Partner organisations**

ICCO, as the signatory to the grant agreement, uses TBBC as the implementing partner to undertake activities in Thailand. The two organisations have concluded a Partner Agreement of Co-operation (reference number TH002101 and signed in January 2007) to formalise the arrangements for implementation. The TBBC does not make use of other local partners for the DG ECHO-funded activities.

However, TBBC does maintain close working relationships with the various bodies affecting the refugee camps. These include the RTG Ministry of Interior, RTG Army Paramilitary Rangers and Border Patrol Police, the Committee for the Co-ordination of Services to Displaced Persons in Thailand (CCSDPT), UNHCR, Camp and Refugee Committees, and Community Elders Advisory Boards.

### **5.1.9 Relationship with institutional donors**

All institutional donors require various operational interim and final reports. Many also reserve (and exercise) the right to audit accounts and the TBBC maintains a positive approach to all exterior examinations. Indeed, relative to its size and financial turnover, TBBC is one of the most audited, evaluated and reviewed organisations that this auditor has encountered.

## **5.2 AUDITOR'S ASSESSMENT OF ORGANISATIONAL STRUCTURE**

TBBC's is a well established organisation and the structure and various forms of oversight that are in place are considered appropriate for the task of implementing the DG ECHO-funded activities. However, there is a need to try and obtain exemption from VAT to ensure that DG ECHO funds are not lost in the form of taxes.

Recommendations in this respect have been included in Annex 1.

## **6 Compliance with HQ and FPA Procedures**

### ***6.1.1 Compliance with HQ procedures***

This DG ECHO grant agreement differs from most other agreements in that it is not the same organisation providing an HQ (generally within the EU) and an in-country presence (in the beneficiary country). ICCO represent the "HQ" and grant signatory within the EU. TBBC are the organisation tasked by ICCO to implement activities in-country.

TBBC, with its HQ in Thailand, has developed its own stand alone procedures. Internal manuals have been produced in hard copy and e-versions giving guidance on finance, procurement, personnel and monitoring procedures. These manuals (in English and, where appropriate, Thai) have also been placed on TBBC's website.

Formal mandates and authority limits are maintained by TBBC for approval of financial transactions by officers. It is rarely necessary for management to override established controls.

TBBC prepare reports in accordance with the grant agreement and these are transmitted to ICCO who ensure that the reports forwarded to DG ECHO are compliant with FPA procedures. The Desk Officer at HQ will carry out a monthly budget to actual comparison. This includes comparison to the FPA. Explicit approval is given by the authorising manager that the transactions have been checked for compliance with the grant agreement for each formal report made to DG ECHO.

### ***6.1.2 Compliance with DG ECHO FPA***

Procurement procedures appear to be correctly followed although there is scope for adjustments to further strengthen control. See Section 11 for more information. As stated above, exemption from VAT in Thailand needs to be sought.

### ***6.1.3 Evaluation of activities***

Programme reports are issued every 6 months by TBBC. These are provided to DG ECHO and also placed on the TBBC website.

### ***6.1.4 Linkages and supervision between field and HQ***

Linkage and supervision between the field (TBBC) and HQ (ICCO) is assured through the Partner Agreement of Co-operation. Article 7.1 of this document obliges TBBC to agree to an audit of the organisation. The obligation to accept audits by Commission services, the Court of Auditors or OLAF is contained in Annex IV (General Conditions) which forms an integral part of the Agreement. For greater clarity it would be useful if, in future Agreements, article 7.1 also stated the right of access for audit purposes of the various EU institutions.

TBBC forward the required reports and, upon request, comparisons of budget versus actual spend. Original documentation is retained by TBBC but is forwarded to ICCO if required for audit purposes.

## **6.2 AUDITOR'S ASSESSMENT OF COMPLIANCE**

TBBC in Thailand has been assessed as compliant with the requirements of the FPA. A recommendation is made at Annex 1 suggesting an addition to future Partner Agreements.

## **7 Accounting System and IT**

### ***7.1.1 Accounting & Financial control***

The Finance Department at TBBC in Bangkok comprises a Financial Controller, a Finance Manager, a Finance Officer and an Accounting Officer. The number of staff and the financial procedures in place ensure adequate separation of duties for entering and verifying accounting data. The Quickbooks accounts software is used TBBC-wide which provides for double entry accrual based accounting, a chart of accounts and codes to permit identification of DG ECHO related expenditure (the code for the current DG ECHO grant agreement being ECHO-07) as well as funding from other donors.

Accounts are held in THB with exchange to / from EUR using the rate at the time of conversion of EUR to THB and as recorded in the accounts. The current version of the Financial Procedures Manual does not clearly describe the procedures regarding exchange rates and TBBC have proposed that the Manual will be amended to do so. Financial procedures are outlined on a step by step basis in the Financial Procedures Manual.

Management would describe their current quantity and quality of financial staff as adequate.

### ***7.1.2 Use of budgets in field operations***

The TBBC Financial Controller can prepare budget to actual reports at any time using Quickbooks (in the DG ECHO reporting format). These are prepared at least monthly as part of the month end process. The Financial Controller monitors budget to actual expenditure and, given the tight TBBC structure, explanations for any large variances can be easily sought. An explicit line-by-line comparison is made to the DG ECHO grant agreement and for each interim report.

Management accounts can also be produced and the Financial Controller is able to produce a month by month cash forecast (e.g. for the remaining duration of the DG ECHO grant agreement). Cash flow has been (and continues to be) a serious issue for TBBC. In 2006, projected shortfall of income prompted the organisation to seek further funds from certain donors. The issue is most critical when donors do not pay promptly or retain a proportion of their donation pending further review such as an audit. At the end of 2006, cash reserves equated to approximately 1 month's expenditure. Liquidity could be a cause for concern if donors make late payment, although the advance from DG ECHO under the current grant agreement was paid promptly.

### ***7.1.3 Recording of field transactions***

For the purposes of this report, field transactions refers to the financial transactions of TBBC. These take place both at the Bangkok office (BKK Finance) and at the various field offices. Procedures to be followed are outlined in step-by-step detail in the TBBC Financial Procedures Manual and are too detailed to reproduce in this report. Suffice to say that all transactions are subject to segregation of duties, appropriate approval processes and prompt recording in the Quickbooks accounting system. All supporting documentation is held at the TBBC office in Bangkok.

### ***7.1.4 Frequency and nature of internal reporting of field income and expenditure***

TBBC acts independently of ICCO in terms of financial reporting and prepares its own monthly financial reports. Such reports are not automatically forwarded to ICCO but can be made available on request. Formal reporting from TBBC to ICCO is via the 6-monthly Programme Reports. ICCO are able to request and receive any additional information that they, or donors, may require.

#### **7.1.5 Review of performance against budget**

All activities are reviewed formally against budget upon completion as part of donor reporting requirements.

#### **7.1.6 Financial management of local Partner organisations**

Within the scope of activities covered by the DG ECHO grant agreement, TBBC has no responsibilities for local partner organisations.

#### **7.1.7 Allocation systems**

Costs relate to specifically defined items (food, non-food items and visibility) within specific camps (Mae La, Umpiem and Nu Po). All such costs are charged 100% to DG ECHO. There are no costs in respect of staff, vehicles or equipment under the grant agreement.

#### **7.1.8 IT management**

TBBC makes extensive use of IT equipment at both the HQ in Bangkok and the field offices. A local area network (LAN) is in place.

Anti virus software is used and this has been updated within the last 6 months. Data held on HQ and field office computers is password protected and passwords are changed irregularly.

Various back-ups are taken. Daily back ups are made of the accounting data, and a weekly back-up is made of all data on the server. Back-ups are stored off-site.

### **7.2 AUDITOR'S ASSESSMENT OF THE ACCOUNTING AND IT SYSTEMS**

TBBC has a well established accounting system that is able to account for and report on funds used under the DG ECHO grant agreement. The need to ensure adequate reserves in the event of difficulties with incoming donations should be addressed and the Financial Procedures Manual would benefit from an amendment to clarify exchange rate procedures concerning funds received from DG ECHO. Recommendations have been made in this respect in Annex 1.

## **8 Cash and Bank**

#### **8.1.1 Cash handling procedures**

Within TBBC cash is held at both HQ in Bangkok and in the field offices. Cash held at field offices is made available through imprests with a ceiling of THB 25,000 (approximately EUR 570). This is largely for smaller purchases and emergency purposes since the aim is to keep cash to a minimum.

Custody arrangements are satisfactory to minimise loss of theft. It was noted that the imprest at Mae Sot was in the name of the Field Administrative Assistant who was on maternity leave. The imprest should be transferred to the Field Administrator since she held the cash at the time of the audit.

At Mae Sot, the balance of cash held is reconciled to the cash book and the accounts on a monthly basis and submitted to HQ. The cash count is carried out by the Field Co-ordinator and the document attached to the monthly report.



### **8.1.2 Bank accounts**

TBBC receives DG ECHO funds via ICCO. Funds are transferred from ICCO to the TBBC's bank account in London and then to the bank account in Bangkok. In London, TBBC holds bank accounts in GBP, EUR and USD. Within Thailand, the bank account is in THB and is interest-bearing although the DG ECHO grant agreement does not have a duration of longer than 12 months (Fact Sheet C.5 refers). Wherever possible, payments are made either by cheque or internet banking rather than cash.

The Thai bank account requires two signatures for amounts over THB 50,000 (approx. EUR 1,136) and one signature for amounts less than this. The single signatory (particularly at field offices) is considered appropriate in view of the limited number of signatories located in field offices, the more modest sums paid at field office level and the degree of control exercised by the Finance Department in Bangkok. However, the arrangement is largely an historical one and could be reviewed to ensure its continued relevance.

A list of the signatories was obtained. One (Dr. Moore) is no longer with TBBC and a replacement signatory is to be added to the list.

## **8.2 AUDITOR'S ASSESSMENT OF CASH AND BANK**

Procedures over bank accounts and cash in Thailand are basically sound, although there is a need to re-assign the imprest at Mae Sot office and update / review arrangements concerning signatories to the bank account. Recommendations have been made in this respect in Annex 1.

## **9 Personnel**

No personnel costs for either ICCO or TBBC are charged to DG ECHO. For this reason no detailed examination was undertaken of this area as part of the audit.

However, responses to the Risk Evaluation Questionnaire from TBBC indicated that the area is low risk. Key procedures in place governing:

- recruitment through competitive selection
- formal assignment of a job description and an employment contract (in English with Thai translation if appropriate) for each member of staff
- salaries benchmarked to those of other NGOs
- annual appraisal of staff including training and personal development
- 6-monthly reviews of turnover and staffing levels.

The curriculum vitae (CV) of each staff member is held on file and the auditor selected those of the personnel involved in the key tasks towards which DG ECHO funding is directed – procurement and activities in the camps in Tak Province. Accordingly, the CVs of the Procurement Manager and the Field Co-ordinator at Mae Sot field office were reviewed. Both indicated that the staff members concerned possessed the appropriate qualifications and experience for the tasks to be undertaken.

## 10 Fixed Assets

No costs in respect of equipment, vehicles and other fixed assets for either ICCO or TBBC are charged to DG ECHO. For this reason no detailed examination was undertaken of this area as part of the audit.

However, responses to the Risk Evaluation Questionnaire (REQ) from TBBC indicated that the area is medium risk. Key procedures are in place governing:

- registration of fixed assets
- a policy on depreciation for items costing over EUR 1,250
- insurance
- marking and periodic inspection of assets
- procedures governing the use of vehicles

The reason for the medium risk rating is a consequence of the responses to certain questions within the REQ. When asked if donor-funded assets are marked on the register, whether arrangements exist to ensure DG ECHO-funded items are transferred upon project completion, and whether vehicle usage can be linked to specific projects, the responses were "Not applicable" as there are no DG ECHO-funded assets that necessitate such arrangements. Removal of these responses from the REQ results in a rating of low risk for fixed assets.

## 11 Procurement

### 11.1.1 Statement of extent of procurement

Procurement has been foreseen under the grant agreement for food and fuel, all to be undertaken by TBBC. There is adequate segregation of duties between TBBC staff involved in the procurement process.

### 11.1.2 Domestic legal regulations for procurement

There are no national procurement rules that TBBC is obliged to follow in Thailand.

### 11.1.3 Description of procurement procedures in relation to small value items

These are set out in the TBBC Procurement Manual.

### 11.1.4 Description of tendering procedures for higher value items

The TBBC procurement manual includes the following table concerning procurement (figures in EUR have been inserted for ease of reference, based on the June 2007 InfoEuro rate):

value in <i>Thai Baht</i> )	Procurement Methods Applied	Requirements:
Over 1,000,000 <i>EUR 22,720</i>	Tendering	<ul style="list-style-type: none"> <li>① Open Tender with International and/or Local Publication</li> <li>① Written Invitation to Tender</li> <li>① Sealed bid process</li> <li>① Supplier evaluation</li> <li>① Tendering Committees' decisions or recommendations</li> <li>① Quality control inspections</li> </ul>

value in Thai Baht)	Procurement Methods Applied	Requirements:
Over 1,000,000 EUR 22,720	Competitive Purchasing	<ul style="list-style-type: none"> <li>① Minimum 3 supplier written quotes</li> <li>② Supplier evaluation required (i.e. factory visit, information files)</li> <li>③ Tendering Committees' decisions or recommendations</li> <li>④ Quality control checks</li> </ul>
500,001 – 1,000,000 EUR 11,360 – 22,720	Direct Purchase	<ul style="list-style-type: none"> <li>① Minimum 3 supplier written quotes</li> <li>② Purchase Request</li> <li>③ Purchase Order</li> </ul>
20,000 – 500,000 EUR 450 – 11,360	Direct Purchase	<ul style="list-style-type: none"> <li>① Minimum 3 bids – may be summary of Verbal Quotes or catalogue comparisons</li> <li>② Purchase Request</li> <li>③ Purchase Order</li> </ul>
Less than 20,000 EUR 450	Direct Purchase	<ul style="list-style-type: none"> <li>① No formal requirement. Sound purchasing practices must be followed.</li> </ul>
Over 20,000 EUR 450	Single Quote	<ul style="list-style-type: none"> <li>① Single Quote only allowed for purchase of supplies with technical exceptions of the above categories</li> <li>② Written Quotation and/or Purchase Request (PR) required depending upon value of purchases.</li> <li>③ Recommend having a written note (may state in PR) stating technical reasons that justify single quote.</li> <li>④ Purchase Order</li> </ul>

Page 4 of the TBBC Procurement Manual states that it *"is also intended to ensure .... TBBC's compliance with donors' requirements..."* In this respect, it should be noted that Annex V of the FPA (sections 4.1.2 and 4.4.3) requires 4 offers in respect of a dedicated supplies contract from EUR 30,000 to EUR 149,999. If the manual is to reflect this requirement the number of quotes specified in the table above for competitive purchasing over THB 1,000,000 should be revised.

#### **11.1.5 Use of framework agreements, favoured suppliers and procurement centres**

According to the last ICCO HQ report (ref. 05-BA22-032):

*"Implementing partners in the field are responsible for the procurement of higher value items. ICCO's HQ has no procurement department. ECHO tendering procedures are attached to the grant agreement between ICCO and the implementing partner to ensure the same requirements are adhered to."*

TBBC makes use of call-off contracts to order regular food consignments. No procurement centres are used.

#### **11.1.6 Relationship between NGO's procedures and the conditions of Article 20 and Annex V of the Framework Partnership Agreement of 2003 – 2007**

For DG ECHO funded activities, the DG ECHO procurement rules take precedence over TBBC's own rules. This is provided for in the Co-financing Agreement TH002101 concluded between ICCO and TBBC.

### **11.1.7 Audit testing of procurement procedures**

Procurement documentation is well organised which greatly facilitated the review of a sample of purchases and enabled the complete tender process to be followed. The following findings emerged:

- procurement is undertaken via international open tender with advertisements placed on the ICCO / TBBC websites (it being understood that the ICCO website constitutes the "specialised periodical" referred to in Annex V.3.6.1 of the FPA).
- respondents to the advertisements are principally Thai firms (not surprising given that Thailand is a major exporter of foods such as rice, as well as the logistical difficulties of accessing the camps in Tak Province). However, one international supplier in Nepal has bid successfully.
- there is adequate documentation at each stage of the process (advertisement, opening of bids, quality analysis checks, bidder analysis, summary of evaluations of offers, assessment of bids) leading to a recommendation of the most favourable offer.
- TBBC has shown a willingness to hire new bidders, firstly with modest contracts and then with larger orders if their services are seen to be reliable and of the desired quality.
- the open, international tenders are undertaken twice-yearly. They are administratively heavy: TBBC has a list of 59 potential suppliers that it will notify concerning a published tender, and for Tender 2007-1 a total of 27 firms submitted offers to supply various products. Since the tenders are essentially a repetition of previous supplies, there could be scope to run tenders less frequently or to conclude additional contracts on the basis of the original contract (as provided for in Annex V.4.1.4 (d) of the FPA. However, the likely benefits would need to be weighed against the possibility of suppliers bidding cautiously if contracts are likely to be of a longer duration.
- the auditor was unable to find written evidence that tender committee members had no conflicts of interest when it came to evaluating suppliers' offers (section 7 of the TBBC Procurement Manual refers). The members should also declare their commitment to treating all information with confidentiality.
- standard forms are used on which suppliers submit their offers (a useful way to ensure that bids are received in a uniform and comparable format). Thai suppliers often insert their name in Thai and the TBBC procurement manager writes the English equivalent against some (but not all) bids. This practice is supported to ensure that key names etc. in Thai are translated and are then legible to third parties (such as ICCO staff and auditors to TBBC's or ICCO's offices).
- an Evaluation of Tender / Contract Award (Form 015) is prepared for each tender. This lists the names of the Tender Committee at the top but not all those on the Committee sign the form at the bottom to attest that they sign up to the recommended offer. During discussions with TBBC staff, an amended form was proposed to address this issue.
- failed bidders are currently notified by telephone. Notification by letter / e-mail would formalise reasons for tenderers' rejection and reduce the risk of dissatisfied firms seeking to call into doubt tender procedures on the basis of information they claimed to have received from TBBC staff.
- for one specific tender (Tender 2007-1 Mung beans at Umpiem), the third lowest offer had been chosen over 2 lower-priced offers. The lowest offer was rejected as it was from a new and previously untried firm. As part of the evaluation, firms are assessed as to their i) experience / performance with TBBC; ii) sources / capacity and iii) logistical ability on a scale from 1 (below

average), 2 (average) to 3 (above average). The second lowest (unsuccessful) bid had been rated 3:3:3 against the third lowest offer (winning bid) of 2:2:2. Thus, the second lowest offer appeared to be better. Discussions with TBBC staff revealed that the 2<sup>nd</sup> lowest offer was from a firm known to TBBC and which had recently under-performed on other TBBC contracts, and that this was the reason the offer had been rejected. The explanation appears reasonable but it is important that the full reasons for non-selection of an offer are noted in the "Main reasons/Comments/Clarifications" column of the Evaluation of Tender / Contract Award (Form 015).

- standard contracts are concluded between TBBC and the winning firms. Certain sections of these contracts have been lifted from the original tender documentation. However, this has resulted in certain cross-references (that applied in the tender) losing their validity in the contract. They should therefore be removed or corrected. For example, in the Tender 2007-1 Umpiem rice contract, under Section 1. "Inspection", the 4<sup>th</sup> paragraph refers to payment penalties "(See Part 10 below for details)" whereas the penalties are detailed under section 4 of the contract.

## **11.2 AUDITOR'S ASSESSMENT OF PROCUREMENT**

TBBC's procurement procedures at field level are independent of ICCO but respect the requirements of Annex V of the FPA. TBBC's files are well organised and provide adequate evidence of the need to procure through competition. Certain improvements should be made to further improve the transparency of the process (e.g. declarations of impartiality and confidentiality, formal notification to rejected firms, consistency in evaluation form entries / contract cross-references). The frequency of tendering could also be usefully reviewed, if necessary in consultation with DG ECHO.

Recommendations have been made in respect of the audit findings in Annex 1 of this report.

## **12 Stocks and Stock Control**

No stock is held by either ICCO or TBBC. Temporary stocks of food and non-food items held at the "godowns" in the camps are under the responsibility of the camp management and the arrangements are described under section 14 below.

## **13 Fraud and Corruption Policies**

### ***13.1.1 Policies***

Whilst TBBC does not term its approach as a "fraud and corruption policy" the Staff Policy Manual (available to all staff) clearly specifies the categories of serious and gross misconduct that will lead to warnings and / or dismissal. A local process is also in place in the field if infringements are identified.

Neither ICCO nor TBBC staff are provided with training in respect of awareness and assessment of fraud and corruption risk. And whilst the HQ audit report of ICCO states that "ICCO has a plan on how a suspected fraud would be investigated", TBBC does not.

### ***13.1.2 Staff***

References are always obtained for all TBBC staff.

This report is the property of the European Commission and may be distributed to third parties only after notifying the European Commission represented by DG ECHO.

The organisation provides for individuals to report grievances through various channels and the Staff Policy Manual sets out the procedure for doing this and the action that will be taken in response.

## **13.2 AUDITOR'S ASSESSMENT OF FRAUD AND CORRUPTION POLICIES**

Elements of a fraud and corruption policy are in place at both ICCO and TBBC, but further work is required to introduce training on identification and assessment of fraud and corruption risk for staff, and to formalise procedures to be adopted in the event of fraud being discovered. Recommendations have been made in this respect in Annex 1 of this report.

## **14 Field Operational Practices**

### ***14.1.1 Supervision***

The DG ECHO-funded activities of TBBC are overseen by suitably qualified staff to monitor and report on progress.

### ***14.1.2 Beneficiary involvement***

TBBC works closely with all levels of beneficiaries. These principally comprise:

- *beneficiary authorities:* including the RTG MoI at national, provincial and district which enforces refugee policy and controls the day to day running of the camps, and the Royal Thai Army Paramilitary Rangers and Border Police Patrol who assist in implementing policy and providing security.
- *refugee camp authorities:* including community elders advisory boards (local community elders who advise the committees on their work, refugee committees (the overall representatives for refugees living in the camps), and camp committees (the administrative and management bodies of the camps).

TBBC also has a complaints procedure for use by beneficiaries. Suggestion boxes are posted at distribution points within the camps and all residents are able to post comments.

In view of the fact that a number of significant findings emerged during the visits to 2 of the 3 camps, more detailed comments concerning DG ECHO funding of the camps and their activities is contained in Section 15 below.

## **14.2 AUDITOR'S ASSESSMENT OF FIELD OPERATIONAL PRACTICES**

TBBC procedures are generally adequate but further information is contained in Section 15 below.

## **15 Site Visit**

### **15.1 AUDITOR'S OBSERVATIONS**

#### ***Background to the situation on the Myanmar (Burma) – Thailand border***

Refugees have been crossing the border from Myanmar (Burma) into Thailand since 1984. At that time, areas controlled by the ethnic nationalities (Shan, Karenni, Karen and Mon) were subject to a

major offensive by the Myanmar Government Army resulting in some 10,000 refugees fleeing into Thailand. Continuing military offensives have also resulted in progressive influxes of refugees into Thailand. Whilst overall numbers fluctuate (influenced by the level of military activity, climatic variations such as wet / dry seasons, and other factors such as births / deaths in the camps, resettlement to third countries) the number of refugees in Thailand has generally increased. The comprehensive plan for 2007 – 2008, produced jointly by the Committee for the Co-ordination of Services to Displaced Persons in Thailand (CCSDPT) and UNHCR, indicates that in April 2007 UNHCR data showed the refugee population was 143,165. Camp committee data (which includes students, pending caseload and other new arrivals) was slightly higher at 153,781.

It is understood that up to November 2005, refugees arriving in Thailand were registered with UNHCR and processed by the MoI Provincial Admissions Board (PAB) to grant them official refugee status. However, since then the RTG, fearful of ever-growing numbers of refugees, has sought to control the situation. New arrivals are unable to gain official recognition by the MoI as refugees although there is evidence to suggest that people continue to arrive in the camps. The RTG continues also to be against the integration of refugees from the camps into the local communities, but has agreed to measures within the camps to improve education and skills, institute some income generation activities, and experiment with employment of refugees.

Prospects for resolution of the political situation and a return of people in the camps to Myanmar appear unlikely in the foreseeable future. It is proposed in 2007 to undertake further resettlement of people to third countries, notably the USA. Whilst such efforts are aimed at reducing numbers in the camps and helping to solve the refugee issue, one should be mindful of the risk that the prospect of resettlement may act as a "pull" factor and draw non-refugees to the camps.

#### *Locations of the camps visited*

The CCSDPT / UNHCR Comprehensive Plan lists 9 camps in 4 provinces in Thailand. DG ECHO funds food and fuel to the 3 camps (Mae La, Umpiem and Nu Po) in Tak Province. Total population of these 3 camps at April 2007 according to the Plan was 79,066 (UNHCR) or 84,438 (camp committee). The camps at Umpiem and Nu Po were visited as part of this audit and discussions held with the camp committees at each location. Activities verified at both camps comprised:

- veracity of the monthly feeding population and distribution statistics
- procedures for preparation of both sets of statistics
- supporting documentation for both sets of statistics
- validation to individual recipients of food
- inspection of "godowns" (as a re-performance of TBBC monitoring)
- inspection of suggestion boxes and the comments received
- noting of items giving visibility in camps to the EC funding made available.

The following observations and comments are an aggregate of findings at both camps. It was not possible, within the timeframe of the audit, to meet with a representative of UNHCR.

#### *Feeding population statistics*

As stated above, population figures for the camps derive from two sources: UNHCR and the camp committees. The figures of UNHCR are lower than those of the committees. Since it is the camps' feeding population figure that forms the basis of the DG ECHO-funded activities, it is important that these figures accurately reflect the number of people deserving of the food and fuel provided.

Figures from each of the 3 camp committees are provided monthly on a standard form. This form lists by section the numbers of families and households and the constituent population broken down

between male / female over / under 5 years. The form includes the total brought forward from last month, changes during the month concerned (increases = students, new arrivals or returns, births, transfers; decreases = leaving the camp, return to Myanmar, transfers, deaths, resettlement) and a new overall total. The new overall total is used as the basis for the food / fuel to order and the total is then carried forward as the starting point for next month's figure.

The figures are drawn from lists held by each section leader within the camp. Umpiem camp has 16 sections numbered 1 – 16, Nu Po has 15 numbered 1 – 15, Mae La has 17 designated with a letter plus number e.g. A-1, C1A. During the visit, a sample of section leaders were chosen at random and were asked to provide the records they hold that are used to compile the monthly feeding population figures. In each case, the section leaders concerned held various lists detailing the categories of people within their section by household, family name and composition, status and, in some cases, the appropriate UNHCR registration number.

Analysis of the procedure and information provided resulted in the following observations:

- the total from the previous month could not be verified as it represents the figure brought forward to which increases and decreases have merely been added. It was unclear how far back this practice extended but it essentially means that the baseline figure cannot be established.
- the section leaders do not hold a comprehensive list of all families / persons within their section. They generally held a series of lists that contained people of differing status along the lines of
  - i) refugees officially registered with UNHCR
  - ii) those registered but pending recognition by the PAB (slip holders)
  - iii) new arrivals whom the section leader had been able to list
  - iv) recent new arrivals whom the section leader had not yet listed

It should be noted that at Umpiem three separate requests had to be made since figures on the first list and then the second list did not reconcile to the totals in the monthly feeding figure form.

- persons included on lists i) and ii) above are included in the UNHCR figures, but those under iii) and iv) are not. This is part of the explanation as to why the UNHCR and camp committee feeding figures differ.
- the process of preparing the lists and transferring / aggregating figures onto the feeding figure form is done using manual, handwritten records and involves the transfer of much data.
- lists maintained by the section leaders vary in format and in the data held (for example, the lists of the section 1 leader at Nu Po held the UNHCR registration number).
- critically, data on the section leaders' lists could not be reconciled with that on the feeding figure form. For example:
  - i) The feeding figure forms for Nu Po for May 2007 show 271 families for section 2 whereas the section leader's lists accounted for 191, the balance was claimed to be 80 small families which were without homes but whose people were included in the population figure. However, the population figure on the feeding figure form for section 2 shows 1,064 people whereas the section leader's lists totalled 1,116 people. It was explained that transient students might account for the difference.



ii) At Umpiem, figures for May 2007 for sections 1, 2 and 5 showed the following:

Section number	Families on feeding form	Families on section lists	Difference
1	237	216	- 21
2	387	407	+20
5	173	170	- 3

Conclusions concerning the feeding population figures are set out at 15.2 below.

#### *Distribution statistics*

The monthly feeding figures and the supporting section leaders' lists are then used for subsequent food and fuel distributions. The feeding figures are used as the basis to calculate the food and fuel to be purchased and the section leaders' lists serve as distribution lists when food and fuel are provided to people in the camps.

The k/cal ration is based on SPHERE standards and multipliers are used to calculate the food to be ordered relative to the feeding population. Camp needs are summarised on a camp supplies calculation form which gives the feeding population and the multipliers to use for each item. For example, the multiplier for rice is 0.2805 which has been calculated as follows:

Assumption of population (%) between adults : children	87 : 13
Monthly ration (in kg) per adult : child	15 : 7.5
Monthly ration for 100 adults : children	1305 : 97.5
Total monthly ration (kg)	1402.5
Monthly ration equated to 50kg sacks	28.05
Proportion of 100 people that 28.05 sacks represent	0.2805

The proportion of adults to children of 87 : 13 is applied universally to all 3 camps. The actual monthly feeding figures for June 2007 were as follows:

Camp	Adults	Child	Proportion (%)
Nu Po	13894	1913	88 : 12
Umpiem	17412	2861	86 : 14
Mae La	* 44688	5810	88 : 12
TOTAL	86578	10584	89 : 11

\* Excludes 606 students deducted by TBBC

Using the above formula, this would result in a multiplier for rice of 0.2835 (slightly higher than that currently used). However, TBBC regularly review and adjust the multipliers.

Food and fuel are procured via purchase requests, purchase orders, supplies delivery schedules and goods received notes (GRNs), and delivered directly to the camps by the suppliers, with the exception of blended food which is delivered centrally and then transported separately to the camps. Products are temporarily stored in warehouses ("godowns") and distributed over the ensuing days. Distributions are made against ration cards (1 card per household) and cards have coloured covers to denote a specific year (green being that for 2007). Only those with ration cards are entitled to receive food and fuel.

A distribution was observed at Nu Po camp and at both camps records relating to distributions in May 2007 were examined. The following observations resulted:

- quantities of food and fuel ordered and delivered could be reconciled with the feeding figures and the resultant purchase requests, purchase orders and GRNs.

This report is the property of the European Commission and may be distributed to third parties only after notifying the European Commission represented by DG ECHO.

- only UNHCR and PAB registered people (those on lists i) and ii) outlined above) are in possession of ration cards. New arrivals and those not registered have no cards.
- ration cards of families that have left the camps and ration cards relating to previous years are currently held by the camp committees. They should be returned to TBBC since they constitute supporting evidence of DG ECHO-funded activities that may be required for audit purposes.
- the distribution observed worked smoothly; families were called forward, calibrated scales were used to measure the quantities concerned and the ration cards were noted accordingly.
- distribution lists held by section leaders list each household and family members together with the quantities of items received. However, not all the lists include totals making it difficult to determine the quantity of items distributed within each sector.
- receipt and distribution reports are prepared each month by the camp committees showing supplies in stock from previous month, receipts, quantities distributed and remaining in stock at month's end. These are supported by data held by each of the section leaders.
- reconciliation between the various totals contained in the purchase orders, distribution lists and subsequent receipt and distribution reports was not always possible. For example:

At Umpiem for May 2007 the summary receipt and distribution report records that 993 people received 273.3 kg of rice. However, the detailed distribution lists showed a total of 913 people had received rice equating to 256.1 kg of rice. No explanation could be obtained for the difference of 80 people (17 sacks).

At Nu Po	The feeding figure for April 2007 was	15,384
	The lists for distribution in May showed	15,195
	Difference was	189 (1.2%)

Discussions indicated that rice had been distributed to those without ration cards. Indeed, members of the camp committee outlined the difficulties they faced in seeking to feed all those in the camp especially those without ration cards. To this end, it appeared that the ration cards of absentees had been used to claim rice which had then be re-routed to new arrivals at the rate of half ration (with non-rice items being shared by neighbours). In addition, 398 students (2.5% of the feeding population) had received rations a month early and incidents were reported of personnel of the Thai authorities taking rice from certain godowns in the camp.

- a lack of clarity was perceived as to which people should receive food and fuel and the committee leader at Umpiem stated that he would welcome further guidance on this issue.

Conclusions concerning the distribution figures are set out at 15.2 below.

#### *Validation of recipients*

A random sample of 10 households was selected for a visit to verify receipt of items distributed and their satisfaction with them. The following emerged:

- 3 of the 10 households were either new or as yet unregistered arrivals who had no ration cards and were receiving half rations of rice via the formal distributions and other foodstuffs through donations from neighbours or private purchase.

This report is the property of the European Commission and may be distributed to third parties only after notifying the European Commission represented by DG ECHO.

- the other 7 households had ration cards and these generally recorded the receipt of distributed food and fuel (also confirmed verbally by the householders met). In one case, the distribution for June 2007 had not been recorded in the card (it had occurred late and there had been insufficient time to distribute items and note the ration cards) and, in another, ration cards for section 1 at Nu Po had not been signed by the section leader for the distribution in March 2007.
- all those in receipt of food expressed satisfaction at the quantity and quality of food but expressed concerns that the fuel (charcoal) had been of insufficient quantity. It was explained that poorer quality charcoal had resulted in households having to use more.

#### *Godowns and suggestion boxes*

A sample of godowns (warehouses) were inspected at both camps visited. In each case the facility was clean, weatherproof and tidy with what little stocks were held in them being suitably stocked off-floor and in stacks able to be counted. One exception was the charcoal at Nu Po which was in such quantity that the allotted space was completely taken up.

Suggestion boxes were seen to be in place, although that seen at Umpiem required the lock to be replaced. People in the camps make use of these boxes and the results of responses are summarised in TBBC's monthly monitoring reports. Comments received in the three months Jan - Mar 2007 were 69, 75 and 19 respectively and TBBC's responses to comments received are fed back to the camps via monthly news sheets posted at distribution points.

#### *Monitoring by TBBC*

There is a well established system of monitoring that is undertaken by TBBC staff through monthly visits to each camp. The procedures are succinctly outlined in TBBC's monitoring manual. Standardised checklists ensure consistency of monitoring across all camps and are aimed at verifying deliveries to the camps, storage at godowns, distribution to / feedback from households and individuals. Data collected is forwarded via the field office to TBBC in Bangkok where the information is aggregated to produce a monthly monitoring report.

The process enables areas to be identified where corrective action may be necessary. For example, monitoring reports have highlighted delays in deliveries of certain foodstuffs. This then prompts TBBC to investigate the underlying reasons and what actions, if any, may be taken to address the issue.

Two areas would appear to be inadequately addressed as part of the monitoring process. Firstly, the manual contains no provision for checking the accuracy of the population feeding figures notified by the camps. As mentioned above, the lack of a baseline figure and discrepancies between overall totals and the underlying records held by the section leaders suggest that the population feeding figures should be verified.

Secondly, on page 14 of the manual under Distribution it is stated that "*the Godown manager issues a monthly Receipt & Distribution Report, which is passed to the Field Office. Here, this is cross-checked by a Field Assistant, using the Receipt & Distribution Report Reconciliation, to show the Rations Due to the Feeding Population against the Total Amount actually distributed. This is expressed as a percentage.*" Again, there is no guidance to the effect that these totals should be verified by reference to the underlying records held by the section leaders. As noted above, the audit identified cases where distributions according to section leaders' records were less than the totals contained in the receipt and distribution reports.

*Progress against results expected as set out in the Single Form*

For the results as detailed in the Single Form, the following progress was noted:

Results expected	Indicator	Audit observations
1A. Nutritional needs of refugees in camps are met and of other DPs improved	Minimum av. ration of 2,220 k/cals per person Adherence to TBBC supplementary feeding protocols	Full compliment of food going to camps
2A. DPs receive adequate & appropriate quantity / quality of food and fuel	Commodities to TBBC quality specs 95%  Dist points conveniently accessible to all 100% Pop receive supplies as planned 95% Cooking fuel 190 ml/p/m	% of orders accepted by committees well above 95% Jan – Mar 07 Located within acceptable UNHCR limits Supplies received above 95% Jan – Mar 07
1B. Equitable community participation in project cycle	Women in distribution process 50% Women in camp committee positions 50%  Scheduled CBO meetings	35% Distribution 28% Committees  CLO meetings held
2B. Effective feedback mechanisms	Suggestion boxes 3 camps Scheduled CBO meetings	Suggestion boxes in place CLO meetings held
3B. Minimised duplication and competition	TBBC primary provider Membership of CCSDPT Multi-sector networking meetings / month Co-ordinated Evaluation Plan	TBBC only provider of food to all camps
4B. Reduced impact of RTG and local Thai communities	Timely deliveries Non-interference by local communities	Monitoring stats indicate food getting to camps and minimal local interference

## 15.2 AUDITOR'S ASSESSMENT OF SITE VISIT

It is evident that the majority of food and fuel is being delivered and distributed to eligible beneficiaries within the camps. Within the supply chain, there is a good system of documentation that records quantities ordered, delivered and distributed. However, it is equally clear that, at the margins, there are various factors that undermine the veracity of the population figures and the eligibility of certain categories of beneficiary, with consequent implications for the amount of food / fuel that should be procured with DG ECHO funds.

The population feeding figures are compromised by the lack of a baseline figure. In addition, the variety of lists (in different formats) held by section leaders in the camps and the handwritten, manual transposition of data during the process of compiling the monthly feeding figure forms serve to complicate procedures and increase the risk of errors.

Eligibility criteria specifying who is entitled to receive assistance are unclear. Section 2.2.f of the Single Form indicates that feeding population figures take account of absentees from the camps but it is questionable as to whether these people require assistance, particularly if such absences are prolonged and those concerned have not returned to collect their identity cards at the camp.

Intransigence on the part of the RTG Mol has resulted in an un-quantified number of new arrivals in the camps who are unable to register as refugees, but who are likely to require assistance as much as

This report is the property of the European Commission and may be distributed to third parties only after notifying the European Commission represented by DG ECHO.

the more established residents. One must also be mindful of a potential pull factor that the camps may generate if economic migrants are drawn to them by the prospect of resettlement to third countries, rather than fleeing persecution in Myanmar.

It would appear that the camp committees have honourable intentions to feed all those in the camps but that their actions are being influenced by the difficulties of having to assist those who are unregistered. In effect, the committees are "working the rules" and exploiting slack within the system created by absentees from the camps to claim food and fuel for non-registered arrivals.

Section leaders within the camps at Umpiem and Nu Po were seen to have a good knowledge of the households (and their circumstances) that reside in the section for which they are responsible, and camp committees are unofficially defining their own eligibility criteria for selecting beneficiaries. Both committees expressed a willingness to do this in the future but would welcome further guidance from TBBC. From discussions with TBBC staff, it is certain that section leaders would know who, among their sections, those who were genuine fleers from persecution or other troubles, those who were absent and those who were there as economic migrants. They would be well placed to identify and select those most deserving of assistance if the criteria were suitably well defined.

Field staff of TBBC were seen to have a positive working relationship with members of the committees at the two camps visited, and it is considered that this provides a solid basis for improving information flow and working procedures between TBBC and the camps.

Monitoring is well structured, periodic, provides an effective system of feedback to activities in the camp and serves to highlight those areas where corrective action may be necessary. However, certain improvements should be considered to ensure that totals (population feeding figures, quantities ordered / delivered, and subsequent distributions) reconcile through the supply chain and are substantiated by underlying records at section leader level.

Recommendations have been made at Annex 1 of this report.

## **16 Visibility**

### **16.1 AUDITOR'S OBSERVATIONS**

The responses to the risk evaluation questionnaire by TBBC indicated medium risk. This was primarily due to the response that formal reporting is not made on visibility measures adopted for DG ECHO-funded activities. However, measures taken are reported by TBBC in the 6-monthly Programme Report. That for July to December 2006 makes reference to measures adopted in respect of DG ECHO-funded activities.

The Single Form proposed two elements as a visibility plan: firstly, ICCO will organise a photo exhibition in Brussels and produce an article (including reference to the funding from DG ECHO) in "Vandaar", the magazine of Kerkinactie, a sister organisation of ICCO. The article will also appear on the ICCO website. An updated proposal in January 2007 (accepted by DG ECHO) forewent the photo exhibition and provides for a visit by a specialist journalist to Thailand to write about the refugees on the Thailand / Myanmar border and seek to publish articles in various specialist journals (Vice Versa, SamSam, Vandaar, ICCO Newsletter) as articles in the specialised media were considered to have a better cost/impact ratio than a photo exhibition in the Brussels EU quarter. Activities under this element are on-going and will need to be assessed at the time of the next audit by DG ECHO at the HQ of ICCO in due course.

This report is the property of the European Commission and may be distributed to third parties only after notifying the European Commission represented by DG ECHO.

The second element concerned visibility measures to be undertaken by TBBC in Thailand. These will comprise:

- i) Promotion of awareness of DG ECHO-funded activities in the camps through the display of logo stickers / flags at godowns and the issuing of T-shirts, umbrella and notebook to committee members, section leaders and warehouse distributors.
- ii) Promotion through other activities such as purchase of footballs / volley balls as prizes for camp sport events and provision of T-shirts to sports event participants.

During the visit to the camps at Umpiem and Nu Po, the following were noted:

- Flags and stickers were observed at each godown visited. They are the "old" versions which contain the EU logo but refer to "ECHO - Humanitarian Aid Office". It is suggested that as part of the annual purchase foreseen in September 2007 updated versions are procured (as shown on the Commission website [http://ec.europa.eu/echo/information/identity/index\\_en.htm](http://ec.europa.eu/echo/information/identity/index_en.htm)).
- Various people met within the camps were wearing T-shirts with the EU logo and previous purchases of mugs, umbrellas and notebooks were observed.

TBBC undertake an annual purchase of visibility items, generally in September, and for this reason no expenditure has yet been incurred under the current DG ECHO grant agreement.

## **16.2 AUDITOR'S ASSESSMENT OF VISIBILITY**

Visibility is generally adequate but TBBC should seek to replace "old" logos with similar items referring to the European Commission Humanitarian Aid Department. A recommendation has been made in this respect in Annex 1 of this report.

## **17 Results of Substantive Testing**

Substantive tests have been carried out in respect of selected transactions for the grant agreement subject to audit. The amount tested equated to 9% of that spent by TBBC under the DG ECHO grant agreement up to 7 June 2007.

For all cost categories documents supporting the costs selected were obtained (e.g. invitations to tender where necessary, contracts, purchase requests, purchase orders, GRNs, invoices, payments, receipts) and the following verified:

- costs had been incurred since the beginning of the grant agreement and were necessary for its implementation;
- costs were correctly recorded in TBBC's accounting system;
- costs charged are eligible per the grant agreement and its Annexes.

Documentation was well organised and readily accessible. Results indicate the costs are appropriate to the grant agreement and only two comments are required.

Local VAT has been included in certain costs (food excluding rice and beans, and charcoal) and this is explained in more detail in section 5.1.1 above.

This report is the property of the European Commission and may be distributed to third parties only after notifying the European Commission represented by DG ECHO.

Blended food is ordered from the supplier (using one Purchase Order - "Supply PO") then delivered centrally and transported to the different camps (journeys being the subject of separate Purchase Orders - "Transport PO" to the truck companies). A form "Reconciliation of Transportation Orders and Invoices" is produced that aims to reconcile the Transport and Supply POs to ensure all quantities ordered are transported. The form for March 2007 for Highway Truck could not be reconciled, and led to difficulties in trying to establish that all blended food for that month had been transported. The reason was that incorrect Transport and Supply PO numbers had been recorded on the form. The issue was discussed and clarified with TBBC staff during the audit. As a reminder, a recommendation has been made in this respect in Annex 1 of this report.

## **18 Partner's Comments**

Please find below the comments of ICCO (including those of its implementing partner, TBBC) on the auditor's report. ICCO (and TBBC's) response to the auditor's recommendations is included in the Annex 1.

### **DG ECHO Auditor's comment**

Where appropriate, comments have been incorporated into the relevant section of the report. All other comments are included below.

### **ICCO's comment**

ICCO is satisfied with the Auditor's visit and report. ICCO agrees that, despite TBBC being already a very experienced and highly efficient deliverer of assistance to Burmese refugees living in camps in Thailand, there is always some room for improvement and ICCO therefore considers the Auditor's recommendations as very valuable.

ICCO is willing to assist TBBC whenever relevant and needed with (monitoring) the implementation of the proposed ECHO-recommendations.

Concerning the exemption of VAT-payment, as can be understood from the enclosed letter from RSM Nelson Wheeler (Thailand) Limited, dated 22 August 2007, it does not seem to be relevant for TBBC or ICCO to pursue this issue. During a recent meeting in Brussels (on 30 August 2007) between Mr. Jack Dunford (TBBC), Mr. Michael Roelands (ICCO), Mr. Antoine Lemasson and Head of ECHO-3 Mr. Esko Kentrschynskyj, this issue was also brought forward and it was proposed ECHO-3 would contact the RSO / EC Delegation in Bangkok to discuss this issue further.



## Annex 1 Recommendations for Systems Improvement

The following recommendations are made for systems improvements.

Number	Rating	Recommendation	NGO Response	Urgency
<b>Organisation</b>				
1	5	An application should be made to the RTG for exemption from VAT.	TBBC has consulted with the EC office in Bangkok and agreed that any application would be better made by donors.	Within 3 months
2	3	Once (if) received, a copy of the RTG reply concerning exemption status (or documents stating non-acceptance should this be the case) should be provided to ICCO (for future audit purposes).	A professional opinion from the TBBC auditor's local tax specialist confirms that Thai tax laws oblige TBBC to pay tax, and disallow TBBC claiming reimbursement. Copy of opinion is attached.	Once received
<b>Compliance with HQ and FPA procedures</b>				
3	3	Future Partner Agreements for Co-operation should include a specific article that provides for the right of access for audit purposes of EU institutions.	No objection from TBBC. ICCO will prepare future Partnership Agreements including this specific article.	At time of next Agreement
<b>Accounting Systems and IT</b>				
4	3	The proposed updating of the Financial Procedures Manual to include an outline of exchange rate procedures should be undertaken.	It is planned to update the Manual in October, this will include a new Procedure on Accounting policies including Exchange rates.	2 months
5	4	TBBC should seek to retain a sufficient cash reserve to ensure adequate liquidity and to enable continuation of activities in the event of delayed contributions from donors.	Such a reserve is defined in the Board's Reserves policy and explained in the Trustees reports and 6-month programme reports.	On-going
<b>Cash and Bank</b>				
6	2	The current arrangements of bank signatories should be reviewed to ensure that it continues to be appropriate.	Agreed	Within 12 months.
7	3	The proposal to update the list of bank signatories is supported and should proceed.	Already in process	Within 12 months

Number	Rating	Recommendation	NGO Response	Urgency
8	3	The imprest at the Mae Sot field office should be re-assigned to the Field Administrator during the Assistant's absence.	Already done	Immediate
<b>Personnel</b>				
		None.		
<b>Fixed Assets</b>				
		None.		
<b>Procurement</b>				
9	2	Consideration should be given to amending the Procurement Manual to provide for 4 quotes for competitive purchasing over THB 1,000,000 to ensure compliance with Annex V of the FPA.	It is planned to review and amend where necessary the Procurement Manual by the year end. TBBC understands that DG ECHO is currently reviewing Annex V and may be relaxing the existing requirements. If so, we would prefer to review the Procurement Manual against the amended Annex V.	1 month
10	4	Evaluation committee members should sign declarations of impartiality and confidentiality.	A declaration has been formulated and agreed by committee members, for implementation with effect from the next tender selection meeting.	Immediate
11	3	The practice of translating key text of offers from Thai into English should continue to ensure clarity of documentation for the purposes of future audits.	Agreed	Immediate
12	5	The Evaluation of Tender / Contract Award (Form 015) should contain the signatures of all the evaluation committee members.	Already implemented	Immediate
13	5	The evaluation committee should ensure that data underpinning the reasons for selection / rejection of offers is clearly stated on the Evaluation of Tender / Contract Award (Form 015).	Already implemented	Immediate
14	3	Tender 2007-1 Mung beans for Umpiem should be reviewed to ensure correct application of procurement rules and the results communicated to DG ECHO.	Agreed	3 months

Number	Rating	Recommendation	NGO Response	Urgency
15	4	Firms whose offers are rejected should be formally notified.	Already implemented	Immediate
16	5	The frequency of tenders should be reviewed, and advice sought from DG ECHO as appropriate.	Agreed it may help reduce the administrative burden and be possible in some circumstances but most regular supplies of food items and cooking fuel can be subject to significant market fluctuations and thus two tenders per year instead of one, encourages the bidders to offer lower prices.	3 months
17	2	The standard contracts should be reviewed to ensure that cross-referencing is consistent.	Already done	1 month
<b>Stocks</b>				
		None.		
<b>Fraud and Corruption Policies</b>				
18	3	Procedures for investigation of suspected fraud should be formalised.	Agreed. Sources of information have been provided by the DG ECHO auditor. These will be investigated. TBBC probably already practices appropriate policies, but they have not been formally collected together as fraud and corruption policies. TBBC is considering recruiting a consultant to help determine appropriate fraud, corruption and risk management procedures.	6 months
19	3	Consideration should be given to developing activities to heighten awareness amongst staff of fraud and corruption.	It is planned to hold a staff workshop in the first half of 2008	6 months
<b>Site visit</b>				
20	5	Measure should be taken to verify the accuracy of the feeding population figures. Such measures could include: - a baseline survey verified by sample against section leaders' records	TBBC has already commenced actions to enhance control of the feeding population figures. New templates are being	3 months

Number	Rating	Recommendation	NGO Response	Urgency
		<ul style="list-style-type: none"> <li>- consolidated, standardised lists of all households per section</li> <li>- written agreement between TBBC and the camp committee concerning the criteria for eligibility to receive assistance</li> <li>- inclusion of UNHCR identify card numbers on lists</li> <li>- provision by TBBC of pre-printed templates for lists (and expensed as a direct cost under the DG ECHO grant agreement)</li> </ul>	<p>implemented at the Section level to identify different categories by entitlement to receive assistance. Eligibility criteria have been debated with refugee and camp committees, drafting of eligibility rules should be completed by the end of September. An intern has been recruited to conduct head counts in Tham Hin camp, and gather sample information on why they entered camp. UNHCR acknowledge that there have been a number of problems with the introduction of identity cards; these should be resolved before the card numbers are included on ration cards.</p>	
21	5	Donors, such as the DG ECHO office and EC Delegation in Bangkok (in consultation with TBBC), should approach the Royal Thai Government (RTG) requesting greater efficiency to enable new arrivals to the camps to register as refugees and to permit measures to increase the self-reliance of refugees in the camps.	Agreed. EC has led the formation of a Donor Working Group which has met twice and another meeting is scheduled for September. TBBC and UNHCR have briefed these meetings and the working group has also met with TRG representatives.	On-going
22	4	Procedures governing ration cards should be enhanced: <ul style="list-style-type: none"> <li>- completed cards to be returned to TBBC at year's end</li> <li>- cards of departed households to be returned to TBBC</li> </ul>	<p>To be implemented</p> <p>Already under implementation</p>	Immediate
23	3	Those within the camps dealing with distributions should be reminded of the need to complete and sign the ration cards at the time of distribution.	Warehouse staff training is being undertaken and TBBC monitoring checks made to ensure rations cards are signed and kept by households.	1 month

Number	Rating	Recommendation	NGO Response	Urgency
<b>Site visit (continued)</b>				
24	3	Distribution lists should include totals of the rations distributed.	Distribution lists at warehouses will include the exact quantity of items distributed. This has just been implemented in Tak camps.	1 month
25	5	Measures should be introduced to further enhance the existing monitoring procedures. These should include: - procedures to verify the accuracy of the population feeding figures - verification that changes (births / deaths etc.) are made to ration cards - procedures to ensure that totals of feeding figures, and quantities of rations delivered and distributed reconcile through the supply chain and that the totals are supported by, and agree with, underlying documentation held at section level - updating of the monitoring manual to include additional and / or revised procedures.	Checking of ration books by TBBC staff at the distribution points is being trialled at targeted Sections within the Tak camps. The TBBC Capacity Building Coordinator is facilitating the empowerment of household leaders (leaders of 10 to 20 households) to report population data direct to TBBC. New reconciliation forms are being tested in Tak camps. It is planned to standardise new forms and include revised distribution guidelines in a new version of TBBC program guidelines by the end of October.	3 months
<b>Visibility</b>				
26	3	Visibility items bearing the "old" logo should be progressively replaced with items bearing the current logo.	Previously because funding was obtained from both ECAUP and ECHO we obtained agreement to use a logo acceptable to both. The visibility items to be delivered in September 2007 will contain the current logo.	Next purchase
<b>Substantive testing</b>				
27	2	Ensure that reconciliations of transport and supply purchase orders include the correct purchase order numbers.	Agreed. It will be done as soon as practicable.	Immediate

Ratings are:

- 5 – Very important
- 4 – Important
- 3 – Of concern
- 2 – Requires attention
- 1 – Needs review

## Annex 2 Follow-up of previous audits

### 1) Previous HQ audits

A previous HQ audit was conducted at ICCO by the Polaris Network (an external firm contracted by DG ECHO to undertake audits at HQ of DG ECHO Partners) in May 2006 (reference 05-BA22-032). No recommendations made in respect of this audit were directly applicable to TBBC and so no follow-up work was undertaken.

### 2) Previous Field audits

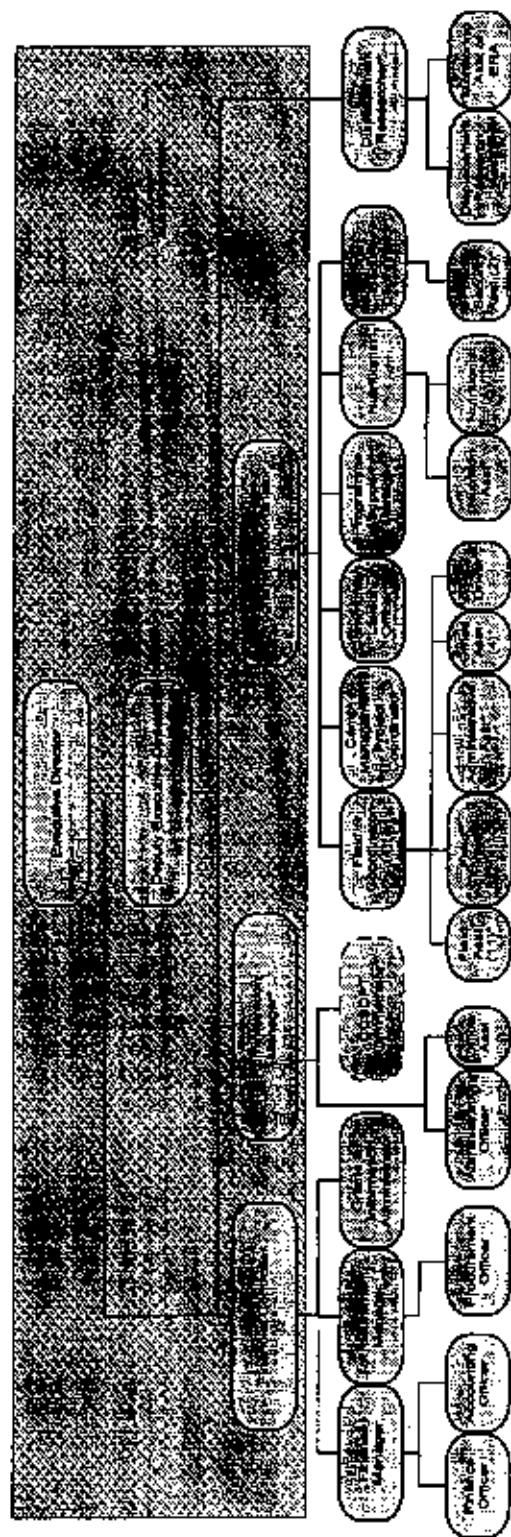
A previous field audit was conducted at TBBC by DG ECHO in October 2003 (reference 03-ECHO-227). Follow-up given to the recommendations made as a result of the audit is as follows:

Previous Recommendation	Auditors' Observations	Further Action Required
<b>A. ICCO / BBC contract</b>		
1. The legal status of the contract between ICCO / BBC needs to be clarified and regularised so that an acceptable structure exists from DG ECHO through to implementer.	Contract revised.	None.
<b>B. Cost Validation</b>		
1. An outlook of spending to the end of the project should be undertaken to confirm the planned expenditure or identify corrective actions.	Quickbooks system able to undertake spending forecasts. These are now done.	None.
2. Accruals accounting should be put in place immediately for major cost items.	Quickbooks system has accruals accounting.	None.
3. The BBC needs to have its own goods received notes (GRNs) which are completed and afterwards checked to supplier delivery advices.	TBBC GRNs have been developed.	None.
4. Supplier delivery advice notes should be sent directly from the supplier to the BBC. A copy of the BBC GRN can be given to the lorry driver as proof of delivery.	This is now done.	None.
5. A process needs to be put in place to provide the BBC with clear and overall assurance that the quantities and quality of delivered material are correct. It is necessary for BBC staff - both local and expatriate - to perform regular counts and checks on delivered materials.	Part of the control and monitoring process	Further measures should be put in place to more closely monitor distributions. See Section 15 of report.

Previous Recommendation	Auditors' Observations	Further Action Required
<p><b>C. Purchases</b></p> <ol style="list-style-type: none"> <li>1. The BBC should look at qualifying suppliers and moving them from tier 3 towards tier 1 (most trusted).</li> <li>2. Monthly summary reporting of the level of rejects should be put in place with target levels of acceptability.</li> </ol>	<p>Now in place.</p> <p>Now in place.</p>	<p>None.</p> <p>None.</p>
<p><b>D. Project Site visit</b></p> <ol style="list-style-type: none"> <li>1. It should be ensured that access to the camps is in real terms unrestricted to ensure unhampered monitoring and transparency.</li> <li>2. A system should be put in place to summarise the actual distributions based on the ration card information. The quality of data on the ration cards will need to be improved.</li> <li>3. A monthly reconciliation should be made between the goods delivered and distributed based on ration cards with an explanation of the use of the remaining sacks of rice.</li> <li>4. Equipment used for distribution should be validated and calibrated prior to use. Hence, for the rice, the weight capacity of the tins should be verified at least once per day and the scales should equally be verified using standard weights.</li> </ol>	<p>Access to the camps is determined by RTG policy and not within TBBC's power to control. Dialogue continuing. Standardised forms adopted.</p> <p>A system is in place but needs to be made more transparent.</p> <p>Now in place. Formal inspections are undertaken.</p>	<p>None beyond dialogue already taking place.</p> <p>See Section 15 of report.</p> <p>See Section 15 of report.</p> <p>None.</p>
<p><b>E. Project control</b></p> <ol style="list-style-type: none"> <li>1. BBC Mae Sot should ensure that it is using the multipliers per the handbook.</li> <li>2. Materials distribution which is not part of the project needs to be corrected either by including it in the project via an amendment or by stopping the distribution.</li> </ol>	<p>Now in place and regularly reviewed.</p> <p>Only eligible items are now included.</p>	<p>None.</p> <p>None.</p>

### Annex 3 TBBC Organisation Chart in Thailand

**TBBC Organisational Chart**  
(lines of supervision and reporting)\*



**\* NOTES**

1. Levels on chart are not indicative of salary, benefits or status of staff within the organisation.
2. All staff are based in Bangkok except as indicated below.
3. Administration Manager: relatives directly with all staff on matters of administration, human resources, staff policy clarification and professional development.
4. One Field Coordinator based in each field site. Two Field Assistants in Mae Sarieng, three Field Assistants in Mae Hong Son, Mae Sot, and Sangkhlaew respectively. One Field Administrator in each field site. Administrative Assistant based in Mae Sot. One Office Assistant in each field site. Driver based in Mae Sarieng.
5. Field Administrators report directly to Financial Controller on particular matters of finance.
6. Camp Management Project Coordinator employed part-time and based in Chiang Rai.
7. Community Liaison Officer based in Mae Sot.
8. Nutritionist and Nutrition Assistant based in Mae Hong Son. Nutritionist (AVT) based in Mae Sot.
9. Food Security Coordinator and Food Security Assistant based in Mae Sot.
10. Displacement Researcher, Displacement Research Assistant and Monitoring Assistant of ERA based in Chiang Mai.
11. CCSDPT Administrator: liaises with MCI on behalf of TBBC; CCSDPT duties are supervised by the CCSDPT Chair.



## Annex 4: Glossary

<b>CBO</b>	-	Community Based Organisation
<b>CLO</b>	-	Community Liaison Officer
<b>CCSDPT</b>	-	Committee for the Coordination of Services to Displaced Persons in Thailand
<b>DG ECHO</b>	-	European Commission Directorate General for Humanitarian Aid
<b>FPA</b>	-	Framework Partnership Agreement
<b>GRN</b>	-	Goods Received Note
<b>ICCO</b>	-	Interchurch Organisation for Development Co-operation
<b>IDP</b>	-	Internally Displaced Person
<b>IOM</b>	-	International Organisation for Migration
<b>IRC</b>	-	International Rescue Committee
<b>LAN</b>	-	Local Area Network
<b>MOI</b>	-	Ministry of Interior
<b>NGO</b>	-	Non-Governmental Organisation
<b>PAB</b>	-	Provincial Admissions Board
<b>REQ</b>	-	Risk Evaluation Questionnaire
<b>RTG</b>	-	Royal Thai Government
<b>SIDA</b>	-	Swedish International Development Agency
<b>SPDC</b>	-	State Peace and Development Council
<b>TBBC</b>	-	Thailand Burma Border Consortium
<b>UNHCR</b>	-	United Nations High Commissioner for Refugees
<b>USA - PRM</b>	-	USA Population for Refugee and Migration
<b>VAT</b>	-	Value Added Tax