International Federation
of Red Cross and Red Crescent Societies

**OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS**

INTERNAL AUDIT OF ABUJA COUNTRY CLUSTER OFFICE

REPORT NO. IA-2016-06

AUDIT PERFORMED: MAY/JUNE 2016

REPORT DATE: AUGUST 2016

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PART I INTRODUCTION & EXECUTIVE SUMMARY

1. BACKGROUND AND CONTEXT

The West Coast Regional Office in Cote d'Ivoire was closed in the beginning of 2016 and an IFRC Country Cluster (the "Office" or "Cluster") was relocated to Abuja, Nigeria, where there was already an established IFRC Country Office.

The IFRC Abuja Cluster Operational Plan has set priority areas for supporting five National Societies, as a constitutionally mandated role to deliver services for its members - Benin, Cote d'Ivoire, Ghana, Nigeria, and Togo. The Cluster's overall aim is to coordinate technical assistance and resource mobilisation to support institutional strengthening and humanitarian service delivery of the five National Societies. The 2016 Operational Plan aims to ensure continuous improvement on response capacity particularly to unprecedented outbreak of diseases such as cholera and Ebola virus disease (EVD), in addition to the effects of climate changes (such as flooding and droughts), civil unrests and the recent risks linked to terrorism threats.

To deliver on this plan, the Cluster is to be composed of a team focused on coordination, strategy development, resource development, accountability and thematic technical support to the implementing partners. Technical support is delivered through a team strategically stationed in the five countries based on needs and capacity gaps.

The Head of Cluster was recruited in the second quarter of 2016. At the time of the audit, the office was composed by four international staff and five national staff based in Abuja. Additionally, three international staff are based in Accra and Abidjan to work on projects directly related to Ghana and Cote d'Ivoire.

2. OBJECTIVE OF THE AUDIT

The purpose of the audit is to provide management with reasonable assurance in relation to the adequacy and effectiveness of governance, risk management and control processes.

This is achieved by focusing on the following:

a) *Effectiveness:* To assess the adequacy and effectiveness of the processes, systems and internal controls (including segregation of duties, delegation of authority, and risk management);

b) *Efficiency:* To appraise the economic and efficient use of resources;

c) *Asset safeguarding:* To appraise the safeguarding of assets which includes human resources, financial, and other tangible, as well as non-tangible (e.g. reputation and branding) assets;

d) *Reporting:* To assess the reliability and integrity of financial and operational information, and the means to report such information; and

e) *Compliance:* To assess the compliance with relevant laws, regulations and the Federation Secretariat's policies and procedures.

3. SCOPE AND METHODOLOGY

The scope of the audit includes a review of the following, with a risk based approach used to prioritize the audit activities:

A) Oversight and Risk management
   - Risk management (including the process to identify, assess and manage risk), governance and oversight.

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- Coordination and organization of work, including communication.
- Legal risk management including contracts management, and integration agreements with Partner National Societies.

B) *Programme and partnerships management*

- Programme management including of Appeals and Disaster Relief Emergency Funds (DREF), and planning, monitoring, evaluation and reporting systems.
- Resource development, including resource mobilization, pledge management, and partnerships.
- Logistics, procurement and fleet management.
- Security management.

C) *Operations support*

- Finance, including accounting, treasury, cash and banking, and supporting documentation for expenditure and journal transactions.
- Human resource management, including payroll, recruitment, and performance management.
- Administration, including travel, filing and archiving.
- Assets and inventory safeguarding.
- Information systems including backups.

Conclusions of the audit are based on the review and analysis, on a test basis, of relevant information. The scope of internal audit includes reviewing the risks of fraud, but does not include detecting and investigating fraud.

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4.   SUMMARY OF KEY FINDINGS AND MANAGEMENT ACTION PLAN

Number of agreed action points by section/priority*

		Agreed Action Points		
SECTION		**High Priority**	**Medium Priority**	**Low Priority**
A	**OVERSIGHT AND RISK MANAGEMENT**	**2**	**1**	**-**
A1	Risk management, oversight and monitoring	-	1	-
A2	Organisation, coordination and communication	1	-	-
A3	Legal & supplementary services	1	-	-
B	**PROGRAMME AND PARTNERSHIPS MANAGEMENT**	**4**	**1**	**-**
B1	Programming, planning, monitoring, evaluation, and reporting	1	-	-
B2	Resource development and Partnerships management	2	-	-
B3	Logistics, procurement and fleet	1	1	-
B4	Security	-	-	-
C	**OPERATIONS SUPPORT**	**6**	**5**	**2**
C1	Finance	5	1	-
C2	Human resources	1	3	-
C3	Administration	-	-	1
C4	Assets and inventory	-	-	1
C5	Information systems	-	1	-
TOTAL AUDIT AGREED ACTION POINTS		**12**	**7**	**2**

*The various priority levels are defined in Annex 1.

Improvement areas

Recommendations which had a primary risk relating to the audit objectives of effectiveness, efficiency, safeguarding of assets, and reporting are summarised below:

	Audit objectives	High Priority	Medium Priority	Low Priority
a)	Effectiveness	6	3	1
b)	Efficiency	-	3	-
c)	Asset Safeguarding	6	1	1
d)	Reporting	-	-	-
Total		**12**	**7**	**2**

In relation to the audit objective of compliance, 15 of the above recommendations were caused in part by compliance related matters.

A summary of the high priority risks by audit objective is as follows:

Effectiveness

There are six high priority management action points (#2, #4, #5, #6, #10, #11) with a primary risk related to effectiveness. To improve effectiveness, the Office should address the following:

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- *Decision papers should be prepared for future major initiatives, such as moving offices, and an official handover document from Ivory Coast Regional Office is completed (agreed action point #2);*

- *A plan of action is established to deal with the Nigeria Complex Emergency Appeal and the long overdue outstanding pledge. The pledge issue should be formally escalated to the Africa Regional Office for a decision (agreed action points #4 and #6);*

- *Project management practices are improved, namely: project balances for frozen projects are analysed; to ensure the staff responsible for managing the projects are correctly appointed as budget holder; the capacity of project managers is improved through project management refresher courses; realistic monitoring and evaluation (M&E) plans are developed for projects, including planning and budgeting for evaluations (agreed action point #4);*

- *The Resource Development Plan (Funding Plan) is revised in order to identify the actual funding gaps. A detailed action plan including key performance indicators with fund raising targets and time lines is established and monitored (agreed action point #5);*

- *Improvements are implemented related to the management of working advances to the National Societies. This should include: reconciling outstanding working advances to National Societies (WANS) with the confirmation letters sent to National Societies; non CHF outstanding working advance balances are cleared and further working advances issued in CHF; National Societies submit WANS reports within the Project Agreement agreed deadlines; WANS reports are made in accordance with the standard report format and are submitted to the IFRC project manager for verification and approval; monthly outstanding working advance balances are shared with budget holders; and ensuring the working advance descriptions in the IFRC financial records match the descriptions in the project agreements (agreed action point #10);*

- *Improvements are implemented related to the management of working advances to staff. This should include: ensuring that working advances to a staff are non-transferable; enforcing line manager approval and finance validation for all working advance reports; and discontinuing the use of working advance for small administrative expenses (agreed action point #11).*

Efficiency

There are no high priority management action points with a primary risk related to efficiency.

Asset Safeguarding

There are six high priority management action points (#3, #8, #9, #12, #13, #18) with a primary risk related to asset safeguarding. To improve asset safeguarding, the office should:

- *Establish clear roles and responsibilities in relation to contract management, and develop a process to ensure that: local legal services are sought in coordination with the Legal Affairs in Geneva; cooperation agreements are established with all National Societies; contracts are processed through e-contracts, and existing valid contracts are uploaded in the e-contract system; and contracts and agreements are established using the standard IFRC templates (and seek IFRC legal advice where different templates are used) (agreed action point #3);*

- *Fleet Management practices are improved, namely: review the need for the current number of vehicles; review the vehicle policy and establish the definition of the private use of vehicles; ensure all vehicles use the fuel control system and document monthly reconciliations; and ensure all vehicles have valid third party insurance (agreed action point #8);*

- *In relation to financial management and oversight: ensure all issues related to the balance sheet accounts in Ivory Coast (IFRC) are resolved and the accounts cleared; refundable deposits and prepayment accounts are sub-analysed in CODA; the pre-payment account is reconciled; and account payable (supplier account) is established at least for regular and major suppliers (agreed action point #9);*

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- *Review and strengthen the controls in relation to bank and treasury management including: contact all suppliers of the pending reconciling cheques and proceed with the closing of the bank accounts; for the Benin (IFRC) bank account, a request for the accounting balance write-off is prepared and submitted to the Africa Regional Office and Geneva; obtain written bank confirmation of the current authorised signatories for all active bank accounts; the authenticity and completeness of electronic monthly bank statements is verified by someone independent from the one performing the reconciliation; discuss with the bank in Nigeria the possibility of using the electronic cheque approval module; ensure compliance with the IFRC Banking and Currency procedures including adequate controls are place in relation to the payment process, including the custody of e-tokens and the dual signatory requirement of cheques (agreed action point #12);*

- *Review and strengthen the controls in relation to cash and treasury management, including: reduce petty cash and working advance payments; review the existing cash policy; end of month and surprise cash counts are performed; and proper segregation of duties regarding the main safe key and the cash box is established (agreed action point #13);*

- *In relation to labor law, staff regulations and contracting: the national staff regulations are updated and reviewed; the national staff contract template is reviewed; contracting or deploying "Regional resource staff" is subject to Geneva HR and Legal Affairs review; and the request for overtime is approved in advance, with the payment processed as part of the monthly payroll (agreed action point #18).*

Reporting

There are no high priority management action points with a primary risk related to reporting.

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PART II DETAILED OBSERVATIONS & MANAGEMENT ACTION PLAN

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SECTION A – OVERSIGHT AND RISK MANAGEMENT

Good practices

✓ The development and use of a National Society working advance justification checklist, indicating the minimum support documents required to be used by the National Society in all transactions, as well as setting levels for specific transactions.

A1	RISK MANAGEMENT, OVERSIGHT AND MONITORING

A1.1   Risk management

Risk management is performed informally. A risk-register and a systematic process to identify, assess and manage risks has not yet been established.

Agreed Action 1:

The Office agreed to develop a process to ensure that risks are timely identified, assessed, and managed. This should include a risk assessment and risk mitigation action plan for appeals, as well as a risk register which should be maintained (reviewed at least every six months) for the office.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: Medium

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A2	ORGANISATION, COORDINATION AND COMMUNICATION

A2.1   Organisation – Relocation of the Cluster from Ivory Coast to Nigeria

Relocation from Ivory Coast to Nigeria

The Cluster relocated from its premises in Ivory Coast to Abuja, Nigeria in the beginning of 2016. However, a decision paper which documented the rationale, as well as the risk exposure for the relocation was not provided to the auditors. The relocation may result in a number of risks which if not effectively managed, may impact efficiency, effectiveness and asset safeguarding. The relocation also has impact regarding the workflow, documentation retention and institutional relations with the government and partners.

Handover

The previous Head of West Coast Office left in December 2015 and the new Head of Cluster was appointed in April/May 2016. An office closure checklist was used by the office to follow up on the relocation however, an official handover document was not signed and completed by the previous Head of Office. The audit noted open items from the relocation requiring follow-up which had not yet been resolved.

Agreed Action 2:

The Office agreed to the following:

a)   Prepare a decision paper for future major initiatives which outlines the key risks, as well as the action to mitigate the risks, to ensure informed management decision making;

b)   An official handover document from the Ivory Coast Office is completed, including assets/inventory list, financial balances at the time of handover and any other human resources, or legal issues that need follow up.

Manager responsible for the action: Head of Cluster and Finance Administration Officer

Due Date: August 2016

Priority Rating: High

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A3	LEGAL AND SUPPLEMENTARY SERVICES

A3.1   Contract management

Legal services

The Cluster seeks legal advice from the IFRC Legal Affairs in Geneva. A local lawyer is yet to be identified by the Cluster, to seek advice on relevant national issues, such as local contracts and/or staff regulations.

Cooperation agreements with National Societies

According to the IFRC working advance procedures, a cooperation agreement is a pre-condition to the signature of specific project agreements and to advance funds to a National Society.   Cooperation agreements have not been signed with all five National Societies in the region.

Signature of project agreements, grants and contracts

Project agreements with the respective National Societies are generally established. However, contract sign-off sheets (with the relevant technical validation) were not used to indicate that the project agreements were reviewed prior to being signed.

Delegates house rent contract templates

Non-standard agreements should be reviewed by the IFRC Legal Affairs prior to being signed. Three housing contracts were signed using non-standard templates, without validation/review from the IFRC Legal Affairs. Such contracts were signed for one year, and therefore any relocation of staff or contract termination can expose IFRC to legal risks and/or financial losses.

Contract database

The Cluster recently started using the IFRC e-contracts system to initiate, review and approve contracts. However, previously signed contracts have not yet been uploaded to the e-contract system to ensure that the database is complete, and that adequate contract monitoring can be performed.

Agreed Action 3:

The Office agreed to establish clear roles and responsibilities in relation to contract management, and develop a process to ensure that:

a)   Local legal services are sought in coordination with the Legal Affairs in Geneva;

b)   Cooperation agreements are established with all National Societies and these are timely renewed;

c)   All contracts are processed through e-contracts to ensure that all required functions validate and provide technical approval;

d)   Establish contracts and agreements using the standard IFRC templates, and seek IFRC legal advice where different templates are being used;

e)   Upload all existing valid contracts in the e-contract system.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: High

A3.2   Supplementary services

The Cluster is not currently providing supplementary services. There were no reportable issues noted.

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SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING

B1.1   Project management

Emergency Appeal and DREF Projects

The Office manages one Emergency appeal (Nigeria Complex Emergency). The Appeal was launched in November 2014 for one year, for the amount of CHF ~2.8m. The Appeal timeframe was extended up to February 2016 *"to enable the completion of activities planned related to commitments on pledges received later than expected, which have not been expended"*. The same Appeal was extended a second time, up to June 2016 for the same reasons, namely the pledge from a partner for which payment had not been collected. As at the audit, the pledge was not yet received, nor the respective activities implemented (see also section B2.2).

DREF (Disaster Response Emergency Fund)

There are three active DREF projects. The following were noted:

- MDRGH011 (Ghana Floods): the timeframe ended September 2015, with a balance of CHF 27k. The project was in the process of being closed after some clarifications were sought from the budget holder.
- MDRCI007 (Cote D'Ivoire Ebola Preparedness): the timeframe ended March 2016, with a balance of CHF 77k. The final report is due by the end of June 2016.
- MDRTG006 (Togo Meningitis): the timeframe ended May 2016, with a balance of CHF 6k, with the amount of CHF 155k still waiting to be reported by the National Society.

Although the above projects are being monitored by the Office with the support from the Africa Regional disaster management unit, the audit noted that the project closing for MDRGH011 (Ghana Floods) is long overdue, while MDRTG006 (Togo Meningitis) has significant outstanding working advances yet to be cleared.

Dormant projects and incorrect budget holders

The Office currently manages twenty-one projects. Fourteen are active and seven are dormant/frozen, (some with minor balances, and others with balances over CHF 20k). No budget has been prepared and no income or expenses have been charged to those dormant projects in 2016. Not all budget holders were fully aware of these dormant balances and therefore, did not have a plan regarding the use of the remaining funds. Furthermore, a number of projects were assigned a budget holder who is no longer working in the region (three projects) or staff who are not directly managing the projects (six projects).

Budget holder training

It was noted that the existing budget holders are not briefed/trained regularly and therefore are not necessarily kept up to date with all the changes in procedures and processes (e.g. e-contracts, new finance guidelines, PMER changes, etc.).

B1.2   Planning, monitoring, evaluation and reporting (PMER)

Project monitoring

In implementing the Cluster`s plan and budget for 2016, it was noted that monitoring plans and indicators have been established. However, due to security constraints, the IFRC project managers have not been able to visit and monitor field activities in northern Nigeria, and therefore rely on National Society monitoring and reporting.

Project Evaluation

The IFRC evaluation framework provides guidelines in relation to when evaluations should be conducted. All Secretariat programmes/projects over 24 months should have a mid-term assessment, and all programmes/projects

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should have a final assessment. When over CHF 1 million, the final assessment should be undertaken by someone independent from the project management team, or if undertaken by project management team, should be reviewed by the Secretariat Planning and Evaluation Department (PED). However, during past years, most of the Regional Programs and Emergency Appeals have not been evaluated and evaluations are not consistently planned and budgeted.

Agreed Action 4:

The Office agreed to improve project management practices relating to planning, monitoring and evaluating on projects. This should include:

a)   A plan of action is established to deal with the Nigeria Complex Emergency Appeal remaining balance and activities;

b)   The three DREF projects/operations are closed/finalised, ensuring the working advances are cleared, the final report issued and any remaining balances transferred back to the DREF;

c)   Project balances for frozen projects are analysed and actions are taken to either re-activate the projects and/or reallocate its balances;

d)   All projects are reviewed to ensure the staff responsible for managing the projects are correctly appointed as budget holder;

e)   The capacity of project managers is improved through project management refresher courses;

f)   Develop and implement realistic monitoring and evaluation (M&E) plans for projects. This should include the planning and budgeting for evaluations, and developing a system to monitor the implementation of agreed recommendations from evaluations.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: High

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B2	RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT

B2.1   Resource development

Funding plan

The Cluster has an approved activity plan and budget, as well as a resource development plan (funding plan) for 2016. The 2016 funding plan included a number of potential donations which have not materialised. The Regional programs have been dependant on a few donors for its WatSan and cholera programs. Furthermore, programs and funding are mostly linked to WatSan activities, while limited funding has been received for health or disaster management related programs.

The funding plan has not yet been revised to reflect the current funding gap.

Agreed Action 5:

The Office agreed that **t**he resource development plan (funding plan) is revised in order to identify the actual funding gaps. A detailed action plan including key performance indicators with fundraising targets and timelines is established. Such action plan is monitored on a quarterly basis.

Manager responsible for the action: PMER Delegate

Due Date: September 2016

Priority Rating: High

B2.2   Pledge management

Pledge collection

One overdue pledge in the amount of CHF ~390k from a project partner for the Nigeria Complex Emergency Appeal is due since July 2015. Various attempts to collect the due pledge have been made, but they have been unsuccessful. The Appeal is pending closure due to this outstanding pledge (see also section B1.1).   By the end of April 2016, the amount of CHF 38k has been expensed on this pledge.

Agreed Action 6:

The Office agreed to the following:

a)   The overdue pledge amount is formally escalated to the Africa Regional Office for a decision on the follow-up;
b)   A formal process (including escalation) to follow-up on overdue pledge payments is established, including ownership, accountability and documenting actions to resolve such delays.

Manager responsible for the action: PMER Delegate

Due Date: August 2016

Priority Rating: High

B2.3   Partnerships

The audit did not note any reportable issues.

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B3	LOGISTICS, PROCUREMENT AND FLEET

B3.1   Logistics and warehouse management

The IFRC is not managing a warehouse in Nigeria. The audit did not note any reportable issues.

B3.2   Procurement

Suppliers management

The Office has not been involved in major procurement of goods. The office uses few suppliers, mainly related to administration services (e.g. hotels, travel agency, etc.). Service agreements have been established with a few of those suppliers. The audit noted that the IFRC general terms and conditions are not consistently attached to purchase orders, and that advance payments are made for various services, which is contrary to IFRC standard practices.

Agreed Action 7:

The Office agreed to the following:

a)   Standard IFRC general terms and conditions are attached to all purchase orders to protect the IFRC from any untoward contractual liabilities;

b)   Non-standard terms, such as advance payments for services not delivered, should be discontinued.

Manager responsible for the action: Head of Cluster

Due Date: August 2016

Priority Rating: Medium

B3.3   Vehicle management (including fuel and maintenance)

Fleet Size

The Office operates four vehicles. The number and type of vehicles is not appropriate compared to the operational needs. The auditors observed the following:

- The IFRC vehicles are rarely used for operations (the current projects in Nigeria are implemented in areas with security restrictions). Consequently, the vehicles are either used by Delegates to commute between home and the office, or used for office representation and/or administration tasks;

- Three out of the four vehicles are Toyota Prado. The roads in Abuja are in good condition, suitable for smaller vehicles. Those smaller vehicles are less expensive in rental payments, fuel consumption and maintenance.

Vehicle Policy

A vehicle policy has been developed by the office. The vehicle policy establishes the rules in relation to the private use of vehicles and it states that *"travel distance of home-office and return is considered private mileage but will not be charged to the Delegate"* and that only *"private mileage exceeding 100km during a weekend will be charged to the Delegate"*. Such clauses contradict the IFRC Fleet Manual which states that the cost associated with the private use of vehicles should be paid by the respective Delegate (including home-office-home trips). The audit noted that at least two vehicles are predominantly used for home-office transport. The cost of running each of these vehicles could exceed CHF 1,000/month (rental, insurance and fuel).

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Fuel Management

Fuel management practices have been established. However, the following were noted:

- Fuel debit cards have been arranged with a fuel company and they are supposed to be used for each vehicle, however two out of four vehicles are not using the fuel cards;
- A detailed fuel invoice is received by the IFRC on a monthly basis. However, the reconciliation of the monthly invoice(s) is performed against the logbook registers, but not against the fuel receipts.

Third party insurance

Vehicle local third party insurance was not renewed or underwritten for two vehicles, exposing the IFRC to potential legal and financial liabilities in case of an accident.

Agreed Action 8:

The Office agreed to the following:

a) Review the need for the current number of vehicles taking into consideration operational needs. Reduce the fleet to enable cost savings. In the future, smaller type of vehicles should be a preferred solution;

b) Review the vehicle policy and establish the private use of vehicles based on guidance provided under the Fleet manual. The vehicle policy should be submitted to the Africa Regional Office for approval;

c) Ensure all vehicles use a similar fuel control system, i.e. all have a debit fuel card. Debit fuel card statements are printed on a monthly basis and reconciled with individual fuel receipts;

d) Ensure all vehicles have a valid third party insurance.

Manager responsible for the action: Head of Cluster

Due Date: August 2016

Priority Rating: High

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B4	SECURITY

B4.1 Security framework

The audit did not note any reportable issues.

B4.2 Security incident reporting

The audit did not note any reportable issues.

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SECTION C – OPERATIONS SUPPORT

C1	FINANCE

C1.1   Financial management and oversight

Ivory Coast (IFRC) balance sheet account

A few balances are yet to be resolved/cleared from the Ivory Coast balance sheet. Namely, the balance in one bank account, one deposit account, one outstanding working advance, accruals and other minor balances.

Nigeria balance sheet accounts – deposits, prepayments and supplier accounts

The Nigeria balance sheet is generally well managed. However, the management of deposits, prepayments and supplier accounts needs improvement. The following were noted:

- Refundable deposits and pre-payment accounts are not sub-analysed in CODA. All the prepayments to different suppliers are booked in one single account which make it difficult to reconcile;
- Supplier accounts are not being used. Instead, invoices on hand are booked in the accrual account on a monthly basis.

Agreed Action 9:

The Office agreed to the following:

a)   Ensure all issues related to the balance sheet accounts in Ivory Coast are resolved and the accounts cleared;

b)   Supplier accounts, refundable deposits and pre-payment account management in Nigeria is improved, namely:

- Refundable deposits and prepayment accounts are sub-analysed in CODA;

- On a monthly basis, any pre-paid amounts related to previous months are expensed and the pre-payment account reconciled to ensure the remaining balance is accurate;

- Accounts payable (suppliers` account) are established at least for regular and major suppliers. Supplier invoices are booked as an invoice (SPI) CODA document rather than using an accrual account.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: High

C1.2.   Partner working advances and cash transfers

Working advances to National Societies (WANS)

The Office supports five National Societies, all operating on a working advance financing modality. The following was noted:
- The Office keeps a file with all the signed project agreements as a basis for the transfer of funds to the National Societies. However, the descriptions used for such working advances in the IFRC financial system do not match with the description used in the project agreements. Furthermore, there is no mechanism to match the project agreement amounts with the transferred working advance amounts;

- The outstanding working advance amounts are not regularly shared with the respective budget holders;

- Outstanding working advance balances from National Societies (with the exception of one) have not been reconciled since December 2015;

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- Working advances have been transferred to National Societies in either USD or local currency, which differs to the IFRC financial guidelines;

- The project agreement with a National Society states that financial reports are due monthly, and advance of funds are conditioned to the approval of the financial report. The auditors` review of the working advance reports noted that financial reports were submitted to IFRC up to six months after the expenditures were paid by the National Society;

- The WANS reports do not use the IFRC standard reporting format. The report does not include the IFRC approval section, and it does not include the account, project, activity and pledge codes;

- The WANS reports are not systematically approved/reviewed by the IFRC project manager and finance department before they are posted to the IFRC accounts;

- The auditors` review of the WANS reports found non-compliance with IFRC procurement policies, including incomplete and/or inadequate expenditures supporting documents.

Agreed Action 10:

The Office agreed to implement the following:

a) A mechanism is established to ensure the working advance descriptions in IFRC financial records match the descriptions in the project agreements. The mechanism must ensure, at any point in time, an easy trail of the amount of funds transferred to a National Society;

b) The National Society outstanding working advance balances are shared with the respective budget holders on a monthly basis;

c) Reconcile on a monthly basis the amount of outstanding working advances to National Societies with the confirmation letters/emails sent to National Societies;

d) Non-CHF outstanding working advance balances are cleared as soon as possible. Any further working advances to National Societies should be issued in CHF, as per IFRC guidelines;

e) National Societies submit working advance reports within the project agreement deadlines. When reports are overdue for more than 30 days, the IFRC project manager should formally notify the respective National Society about the contractual breach and consider suspending any further advances for that project;

f) Ensure the WANS reports are made in accordance with the standard report format. The report should include the opening balance, total expenditures being reported (adequately coded with approved budget codes and lines) and the closing balance;

g) All reports should be submitted to the IFRC project manager for verification and approval.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: High

C1.3.   Staff working advances

Working advances to staff (international and national)

A number of issues were identified regarding the management of working advances to staff:

- Cases of working advance amounts being received by Delegates who then transferred those amounts to another individual. As per IFRC procedures, working advances are non-transferable;

- A number of working advance reports have been signed by the employee (as the budget holder,) but were not approved by his/her line manager;

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- Working advances are provided to the finance/administration officer for day to day small administrative expenses and not paid through petty cash. The same person provided with the cash advance is also responsible for petty cash payments, resulting in potential inefficiencies.

Agreed Action 11:

The Office agreed that the following improvements are implemented:

a) Ensure that working advances to staff are non-transferable. Any advances to staff should be provided directly to the staff, and any expense to be managed by the National Society should be performed through the regular working advance;

b) Enforce line manager approval and finance validation for all working advance reports, in particular when the budget holder and the working advance holder are the same person;

c) Discontinue the use of working advance for small administrative expenses, which should be performed and accounted directly through the petty cash.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: High

C1.4 Bank account management

Bank accounts

The Office operates bank accounts in different currencies and locations. Some of these bank accounts are in the process of being closed, and some of the accounts have registered signatories of staff who have since eft. The following was noted as per the May 2016 balance sheet accounts in Ivory Coast and Nigeria:

- Two bank accounts of the previous Cluster office have not yet been closed. There were a number of reconciling items identified in the bank reconciliation which had not yet been resolved.
- One bank account in Benin which has not been fully reconciled. The unreconciled amount relates to movements prior to 2008 for which a bank statement has been requested but not received from the bank.
- The current bank signatories for bank accounts in three countries are outdated, with some of the signatories no longer working for the Cluster and/or no longer working for the IFRC.

Bank reconciliation

Based on our sample test, monthly bank reconciliations are performed accurately. However, reconciliations are based on internet printouts of the bank statements downloaded by the finance officer, rather than based on original bank statements.

Treasury management and cheque signing

It was noted that the office is not fully complying with the IFRC Currency and Banking procedures. This includes ensuring that there are adequate controls in place in relation to the payment process, including the custody of e-tokens and the dual signatory requirements for cheques.

Forecast

In 2015, the Nigeria Delegation forecast expenses (as per their cash request) for a total amount of approximately CHF4m. However, the actual expenses in 2015 amount to approximately CHF2m. Consequently, the Delegation held consistently in their bank accounts much more cash than effectively needed to run the operations. In the beginning of January 2016, similar over-forecasting occurred which contributed to an exchange rate revaluation loss by the end

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of February of over CHF20k, as a consequence for holding too much cash in non-CHF currencies. It was acknowledged that this risk was later identified and the cash held by the Delegation in April and May 2016 reduced significantly.

Agreed Action 12:

The Office agreed to review and strengthen the controls in relation to bank and treasury management including:

a) Contact all suppliers of the pending reconciling cheques in Ivory Coast and proceed with the closing of the bank accounts in Ivory Coast. Obtain written confirmation from the bank once this is done;

b) For the Benin bank account, a request for the accounting balance write-off is prepared and submitted by the Office to the Africa Regional Office and Geneva. A letter from the Benin bank is obtained, confirming the account has been officially closed and the balance is zero;

c) Bank written confirmation of the current authorised signatories for all active bank accounts is obtained to ensure the latest authorised signatory changes have been processed;

d) Authenticity and completeness of electronic monthly bank statements is verified by someone independent from the one performing the reconciliation;

e) Discuss with the bank in Nigeria, in consultation with Geneva and Africa Regional Finance unit, the possibility of using the electronic cheque approval module;

f) Ensure compliance with the IFRC Banking and Currency procedures including adequate controls are place in relation to the payment process, including the custody of e-tokens and the dual signatory requirement of cheques;

g) Establish a monitoring process to ensure that cash requests are performed on a needs basis to keep bank account balances within a reasonable level.

Manager responsible for the action: Finance and Administration Officer

Due Date: September 2016

Priority Rating: High

C1.5   Cash management

Petty cash management

The following were noted regarding petty cash management:

- The majority of payments are processed through cash and/or working advances to staff, when the Office should use cheques or bank transfers. The audit noted payments above CHF1,000 paid in cash;

- A cash policy has been established and was last reviewed in July 2015. However, some of the clauses/sections are not matching the day to day practices or current settings. Furthermore, the cash policy includes subjects which are not related to treasury management (e.g. overtime payment) and should be addressed separately within the staff regulations;

- A surprise cash count was performed by the auditors and a reconciling amount was identified. The difference was explained and the correction made. Cash counts have not been consistently performed by someone independent from the person dealing with the cash.

Cash Security and access

The cash is held in the main safe together with the cheque books. It was noted that there was inadequate segregation of duties in relation to the cash and safe access.

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Agreed Action 13:

The Office agreed to review and strengthen the controls in relation to cash management, including:

a) Reduce petty cash and working advance payments. Enforce and negotiate with the suppliers the payment by cheque or bank transfer;

b) Review the existing cash policy ensuring it is adequate for the current operational needs and reflects the latest cash policy guidance on cash disbursement and inter-account transactions. Any non-relevant issues (such as overtime payment) are taken out from the policy and considered under other policies/regulations;

c) End of month and surprise cash counts are performed, in the presence of the cashier, by someone independent;

d) A lockable container (cash box) is used to hold the cash inside the main safe. Adequate segregation of duties regarding the main safe key and the cash box are established.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: High

C1.6   Financial supporting documentation

A sample of 110 transactions were reviewed to determine if controls were functioning and if there was sufficient documentation to explain and substantiate the transaction. In general, the transactions were booked using the correct nominal accounts and period. However, there was inconsistency in relation to the quality of supporting documentation retained and/or appropriate authorisation. In summary the following was noted (with more details shared with the Office`s finance unit during the audit):

- Lack of clarification or sufficient supporting documentation for some expenses;
- Various advance payments and deposits which are not correctly accounted;
- Mission order/travel requests are not completed;
- Expenditure which relates to an employee benefit (e.g. rest and relaxation leave, home leave, installation indemnities, etc.), as defined under IFRC Staff Regulations, are not consistently authorised by the human resources function.

Agreed Action 14:

The Office agreed to the following:

a) Ensure the completeness and accuracy of supporting documentation. Adequate information is attached to each transaction. This should also include ensuring that the required validation and approval are obtained and signed by line managers;

b) The correct accounts are used to account for advance payments and/or deposits;

c) A mission order/travel request is always completed and approved in advance of any trip and/or purchase of an airline ticket;

d) Human resources authorisation from the Africa Regional Office (or other human resource staff with delegated authority), is obtained for personnel expenditure which relates to an employee benefit as prescribed in IFRC staff regulations.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: Medium

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C2	**HUMAN RESOURCES**

C2.1   Recruitment, job specifications and classifications

Salary scale

A salary scale for National staff has been established together with the staff regulations in 2009. However, the salary scale is outdated. Consequently, the contractual salaries might not be aligned with the salary scale grades and levels.

National staff job descriptions

The Office employs five national staff. A number of human resource administrative tasks are performed by the Finance and Administration Officer for example, overtime management and leave management. However, her current job description does not reflect the duty and responsibility to perform such tasks.

Agreed Action 15:

The Office agreed to the following:

a)   The national staff salary scale is adjusted. Any contractual salary amount should be within the approved salary scale;

b)   The job description for the Finance and Administration Officer is updated with the human resource tasks and related roles and responsibilities.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: Medium

C2.2   Starters, leavers and performance management

Objectives setting

Staff are required to have annual objectives established and concluded on a timely basis. As at May 2016, data collected from the learning platform showed that the 2016 objective setting for four Delegates were yet to be concluded. It was noted that some had already been established into the learning platform, but awaiting the technical sign off.

Agreed Action 16:

The Office agreed that the objective setting for 2016 are finalised and signed off for all staff.

Manager responsible for the action: Head of Cluster

Due Date: August 2016

Priority Rating: Medium

C2.3   Payroll and remuneration

The audit did not note any reportable issues.

C2.4   Leave management

The audit did not note any reportable issues.

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C2.5   Personnel files

Personnel Files for National and International Staff

Complete individual personnel files for both international and national staff are expected to be kept which retains minimum information. All staff files were reviewed by the auditors. It was noted the files are not adequately indexed and organised, as well as being incomplete. Some of the expected documents were missing, mostly from the international staff files. Missing documents included a copy of the employment contract, job description and a signed IT acceptable use policy.

Agreed Action 17:

The Office agreed that a checklist should be developed on the minimum documents required for each personnel file (international and national staff) and files are indexed accordingly. All personnel files are reviewed and updated to ensure that they contain all required documents and information.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: Medium

C2.6   Labour Law, staff regulations and contracting

National staff regulations

National staff regulations should be established using the standard IFRC template, reviewed and approved by Africa Regional Office in consultation with Geneva Legal Affairs and Human Resources departments. National staff regulations were established in 2009 (when the former Cluster was based in Lagos). The regulations do not reflect all current processes and practices and do not include all relevant matters.   For example, overtime is not addressed in the staff regulations. Finally, the regulations provide that employees are entitled to twenty-six days of annual leave, when in practice they are allowed thirty days.

Contract template

There is no evidence that the national staff contract template had been reviewed by a local legal advisor or the IFRC Legal Affairs.

Contracted "Regional resource staff"

To support a peer-to-peer development program among National Societies in the region, the Cluster has been supporting a National Society employed staff to work with another National Society, as a "Regional resource staff". After consulting the Africa Regional human resources function, a contract was signed. The contract has been extended beyond the initial six months' period. The auditors did not find any evidence that potential contractual/financial risks have been addressed prior to the signature of such type of contract.

Overtime

Drivers and some other staff (exceptionally) are receiving overtime payments. A form has been established to report overtime and this is usually completed. However, the overtime form is not authorised in advance by the respective line manager. Furthermore, overtime is paid at the end of the month, in cash, outside the payroll process. A copy of the overtime form is not kept in the human resource files.

Agreed Action 18:

The Office agreed to the following:

a) The national staff regulations are updated and reviewed by a local lawyer and shared with the Africa Regional

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Office and Geneva Human Resources and Legal Affairs for final validation;

b) The national staff contract template is reviewed by a local lawyer and/or the IFRC Legal Affairs;

c) Contracting or deploying "Regional resource staff" is subject to Geneva human resources and legal review to ensure potential legal and financial risks are addressed;

d) Request for overtime is approved in advance by the respective line manager and the Head of Cluster;

e) The payment of overtime should be processed as part of the monthly payroll and a copy kept in the respective personnel files.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: High

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C3	ADMINISTRATION

C3.1   Administrative policies and procedures

The audit did not note any reportable issues.

C3.2   Other administrative matters

Private phone call reimbursement

A policy for the reimbursement of private calls has been established. However, the collection and monitoring of such reimbursement has not been consistently implemented. For example, since January 2016 the phone bills have not been shared with staff.

Agreed Action 19:

The Office agreed to implement a telephone management policy to ensure that all phone bills are monthly reviewed and amounts reimbursed to the IFRC as required by the policy.

Manager responsible for the action: Head of Cluster

Due Date: August 2016

Priority Rating: Low

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C4	ASSET AND INVENTORY

C4.1   Asset/inventory management and safeguarding

Asset/Inventory management

An office inventory register is well maintained, including the type of equipment, location and an individual identification number per item. However, office assets and inventory have not been insured, yet.

Office and Delegates' Housing management

The inventory list of assets/equipment for two out of three rented Delegates' furnished apartments were not attached to the respective contracts. Consequently, there is the risk of future claims being made by the landlord regarding potential damaged or missing items.

Agreed Action 20:

The Office agreed to the following:

a) Local insurance for the office`s mains assets is sought, to assess whether it is appropriate and cost effective for the level of assets/inventory at the Cluster;

b) Ensure the assets/inventory list is signed off with the respective landlords for each rented furnished apartment.

Manager responsible for the action: Head of Cluster

Due Date: September 2016

Priority Rating: Low

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C5	INFORMATION SYSTEMS

C5.1   IT management

The Cluster is a relatively small office, currently with nine staff and it is located within the Nigeria National Society office compound. There is no IT infrastructure, yet, as the office does not have its own IT network.

The Wi-Fi is relatively weak, and the contract with the service provider is managed by the National Society. A shared drive has been set up with the support of the National Society`s IT technician, but it is not yet operational.

A regular back-up system has not been established. Some staff do a back-up of their computer, but this is not consistently performed by all staff.

Agreed Action 21:

The Office agreed that the minimum required IT processes, procedures and systems are established according to best practices and IFRC requirements, in particular the use of a shared drive and regular data back-up is implemented. An independent internet connectivity is also established.

Manager responsible for the action: Head of Cluster

Due Date: August 2016

Priority Rating: Medium

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PART III ANNEXES

ANNEX 1 - PRIORITY RATINGS

Priority Rating	Priority Rating Description
High priority	The observations could have high material impact upon the achievement of objectives, and the weaknesses identified should be addressed urgently.
Medium priority	The observations could have significant or material impact on the achievement of objectives, and the weaknesses should be addressed promptly.
Low priority	The observations could have some impact on the achievement of objectives. There is scope for improvement by addressing any identified weaknesses promptly.

ANNEX 2 - ABBREVIATIONS

CHF	Swiss francs
CODA	The IFRC accounting system
DREF	disaster relief emergency fund
IFRC	International Federation of Red Cross and Red Crescent Societies
M&E	monitoring and evaluation
OIAI	Office of Internal Audit and Investigations
PEAR	project expenditure approval request
PMER	planning, monitoring, evaluation and reporting
WatSAN	Water and Sanitation