



OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

2020 Annual Report

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THE FUNDAMENTAL PRINCIPLES OF THE INTERNATIONAL RED CROSS AND RED CRESCENT MOVEMENT

Humanity

The International Red Cross and Red Crescent Movement, born of a desire to bring assistance without discrimination to the wounded on the battlefield, endeavours, in its international and national capacity, to prevent and alleviate human suffering wherever it may be found. Its purpose is to protect life and health and to ensure respect for the human being. It promotes mutual understanding, friendship, cooperation and lasting peace amongst all peoples.

Impartiality

It makes no discrimination as to nationality, race, religious beliefs, class or political opinions. It endeavours to relieve the suffering of individuals, being guided solely by their needs, and to give priority to the most urgent cases of distress.

Neutrality

In order to enjoy the confidence of all, the Movement may not take sides in hostilities or engage at any time in controversies of a political, racial, religious or ideological nature.

Independence

The Movement is independent. The National Societies, while auxiliaries in the humanitarian services of their governments and subject to the laws of their respective countries, must always maintain their autonomy so that they may be able at all times to act in accordance with the principles of the Movement.

Voluntary service

It is a voluntary relief movement not prompted in any manner by desire for gain.

Unity

There can be only one Red Cross or Red Crescent Society in any one country. It must be open to all. It must carry on its humanitarian work throughout its territory.

Universality

The International Red Cross and Red Crescent Movement, in which all societies have equal status and share equal responsibilities and duties in helping each other, is worldwide.

Contents

Executive Summary	8
The Office of Internal Audit and Investigations	12
Summary of 2020 audit reviews and risk themes	16
Investigation Summary	24
Appendix 1 – IFRC Internal Audit Charter	32

"During dry spells, we try to find more water resources to supply more water to the fields. This year we have also had many dry spells. The Red Cross has supplied water pumps to our community, and it has helped us a lot." Farmer Ri Jong Gi, 50, in a rice field in South Hamgyong province, DPRK.

© Finnish Red Cross. Photo by Mirva Helenius





1. EXECUTIVE SUMMARY

1.1. Introduction and background

The Office of Internal Audit and Investigations (OIAI) is the cornerstone of assurance arrangements in the International Federation of Red Cross and Red Crescent Societies (IFRC). The OIAI provides the Secretary General with the independent assurance needed to discharge his accountability responsibilities to the Governing Board and the IFRC's stakeholders, including our donors.

The OIAI comprises two key functions: Internal Audit and Investigations. The role of the OIAI is to support the IFRC to meet its obligations for good governance, accountability, transparency, and probity to its stakeholders.

1.2. Purpose of this report

The IFRC is committed to transparency and accountability. OIAI has committed to provide an annual summary report on its activities to stakeholders, which includes the scope of activities, the schedule of work undertaken, and an overview of the risks and trends emerging from the OIAI's work.

1.3. 2020 in review

IFRC's delivery ambitions have increased significantly in 2020. The IFRC launched a 550 million Swiss franc appeal to support the global response to COVID-19, which is the largest and most wide-ranging appeal in recent memory. The IFRC also took over oversight of the ECHO-sponsored 500 million euro Emergency Social Safety Net (ESSN) programme. ESSN is delivered by the Turkish Red Crescent, in partnership with IFRC. It is the largest programme managed by IFRC. Both are in addition to the IFRC's ongoing efforts to support the humanitarian activities of its membership, to prevent and alleviate human suffering. At the same time, the IFRC has faced an increasingly difficult operating context in 2020, not only from the COVID-19 pandemic, but also the political and economic uncertainty that it has caused.

To support the IFRC during the year, the OIAI reprioritised its internal audit activities to focus on critical risk areas, increasing awareness of integrity issues and building its reactive investigation capacity. A dedicated audit team was recruited and embedded in the ESSN programme, with an independent reporting line to the OIAI. The 2020 audit plan was revised to provide a greater focus on risks from the COVID-19 pandemic and the subsequent appeal. The plan also retained coverage of IFRC strategic priorities and systems. Investigation capacity was increased, with regional investigators recruited and investigation outsourcing arrangements enhanced. Creating a culture of integrity awareness was prioritised in all investigation and audit work.

The OIAI's work has found that while the COVID-19 pandemic has put considerable strain on the IFRC's control framework, the organisation has adapted and improved, using the crisis as a catalyst for change and enhancement. The COVID-19 pandemic has highlighted the need to continually review and fine-tune the corporate and programmatic systems to ensure that the IFRC can continue to meet the challenge of an ever-changing world and the evolving needs of its stakeholders. Many of the issues have highlighted the need to modernise and revitalise IFRC's risk management culture. As such the ongoing refinement and embedding of the IFRC's risk management systems is critical to meeting these challenges.

The work of the OIAI has been used to support the IFRC's leadership in enhancing its system of internal controls. This has included the recruitment of risk management specialists in the IFRC's regional offices, a refreshed approach to capturing and monitoring risk, and the OIAI providing risk management training to all regional and country office directors and heads.

1.4. Looking forward

During 2021, the OIAI will further refine and develop its internal audit and investigation approaches. Internal audit services will continue to focus on areas of significant risk, such as the COVID-19 appeal, ESSN, fraud, sexual exploitation and abuse (SEA), sexual harassment (SH), and critical systems. Additionally, to increase

the OIAI's geographic coverage, a set of country office level reviews is planned and will focus on corporate control within each of the offices.

2021 will also see the enhancement of the IFRC's whistleblowing and case management capabilities, with a new case management system and hotline coming online during the summer of 2021. The new system operates in multiple languages, is toll free, enhances the pre-assessment process for allegations, and facilitates secure case management and data security. The new system, in conjunction with the enhanced regional investigation capacity recruited at the end of 2020, will give the OIAI increased capacity.

1.5. Internal audit headlines

- The 2020 OIAI audit plan was reprioritised in April 2020 to provide additional assurance over the IFRC's response to the COVID-19 pandemic and the IFRC's subsequent 550 million Swiss franc appeal.
- The OIAI has recruited and embedded a dedicated audit team to provide assurance over the ECHO funded ESSN programme in Turkey, which is the largest programme managed by IFRC. The team is based in the IFRC Turkey Delegation in Ankara.
- Due to the travel restrictions caused by the ongoing pandemic, all audits were conducted remotely.
- The entirety of the 2020 internal audit plan was delivered by the end of the year.
- The OIAI's audits have identified an increase in operational and delivery risks across the IFRC, as the organisation and its control framework have adapted to the "new normal" following the pandemic.
- The IFRC management team's implementation of actions to address risks identified by the OIAI has remained consistent with previous years. Overall, 91 per cent of risks identified by internal audit have suitable mitigation measures being implemented.

1.6. Investigation headlines

- During 2020, the OIAI received 134 complaints, a slight increase of 4 per cent from 2019.
- The typology of complaints for 2020 remained consistent with previous years, with fraud and corruption cases making up the majority of allegations; followed by HR¹ and sexual abuse and exploitation, and harassment (including sexual harassment). The majority of complaints were received from the Africa and Americas regions.
- Seven investigations were substantiated in 2020, all of which led to internal action being taken. Of the seven cases, three related to IFRC delegates, three IFRC national staff, and one to a party external to the IFRC.
- The increase in caseload, alongside the challenge of carrying out investigations during a pandemic, increased the average total time to close an investigation by 35 per cent.
- In response to the growing caseload, the OIAI has increased its investigation capacity, with investigators now based in each region. The OIAI also developed additional framework agreements with external suppliers to support timely international investigation.

¹ For example contract disputes, performance reviews, and local labour law breaches.

Murito Loso, 40, is a Maasai in Nkoilale village in Narok county, Kenya. Kenya Red Cross, with support from IFRC, and funding from USAID, has been helping communities prepare and prevent the spread of diseases, like anthrax, ensuring cases are detected early at the community level before it becomes an epidemic.

© IFRC. Photo by Corrie Butler





2. THE OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

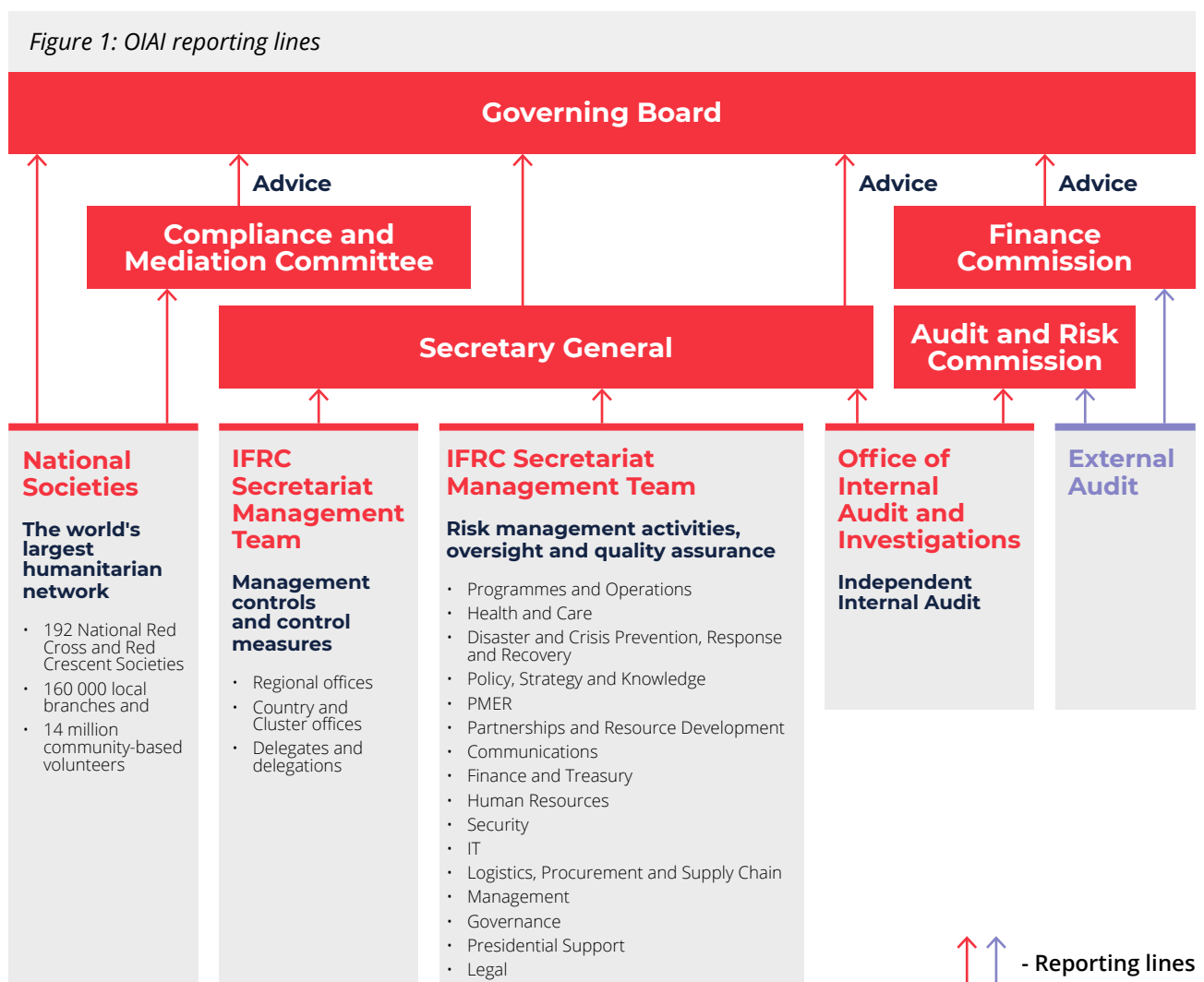
2.1. OIAI's mandate

The OIAI is the cornerstone of the IFRC's assurance arrangements. The OIAI is an **independent** and **objective assurance** and **investigation function** that adds value to and helps enhance the operation of the IFRC and its members. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

It provides the Secretary General with the necessary independent assurance over IFRC's governance, risk management, and control framework to discharge his accountability and integrity responsibilities to the Governing Board and more widely to the IFRC's stakeholders, including donors. The OIAI comprises two key functions: internal audit and investigations.

To ensure the OIAI meets its obligations, IFRC has adopted the Global Institute of Internal Auditors' International Standards for its audit work and the Association of Certified Fraud Examiners (ACFE) and Core Humanitarian Standards for its fraud and SEAH investigations. These Standards set out best practice in internal audit and investigations globally.

2.2. OIAI reporting lines



To ensure transparency and independence, the OIAI has a dual reporting line to both the Secretary General and the Audit and Risk Commission (ARC). The OIAI reports to the Secretary General to establishing direction, support, and administrative interface, and to the ARC for strategic direction, reinforcement, and accountability.

2.3. Scope of the OIAI's activities

The purpose, authority, and responsibility of the OIAI's audit function are defined in the Internal Audit Charter, which is approved by the IFRC's Secretary General. As required by the International Institute of Internal Audit Standards, the charter reflects all activities and areas of responsibility for the internal audit function. A copy of the charter can be found at Appendix 1 – IFRC Internal Audit Charter on page 32.

The OIAI delivers on its remit through the following activities:

- **Audit**
 - Delivering risk-based assurance across the IFRC secretariat, including IFRC's international offices, programmes, and appeals.
 - Delivering dedicated risk-based assurance to the ESSN programme.
 - Co-ordinating donor audit and assurance services.
 - Co-ordinating the work of the IFRC's external auditors.
- **Investigations**
 - Providing the IFRC's whistleblowing response service and providing oversight and monitoring of the service.
 - Providing counter-fraud training.
 - Advising on the handling of fraud, SEA and SH cases.
 - Managing and overseeing fraud, corruption, and SEA responses, across all types of concerns and allegations.
 - Leading on fraud, corruption, and SEA investigations.
 - Oversight and procurement of fraud insurance.
 - Case data management and trend analyses.
 - Fraud assurance, prevention, and response.
 - Consultancy support on issues and policy development relating to fraud, corruption, SEA, SH and control.
- **Consultancy**
 - Providing co-ordination and consultancy support to the management team's risk management process.
 - Providing independent consultancy support and advice to management colleagues.
- **Governance support**
 - Supporting the work of the Audit and Risk Commission, including acting as its secretariat.
 - Supporting the Governing Board in its risk, control, governance, and counter-fraud work.
 - Supporting the work of the Donor Advisory Group.

Sudan. White Nile State. Volunteer meeting, Sudanese Red Crescent Society, Kosti Unit, White Nile Branch.

© IFRC. Photo by Juozas Cernius



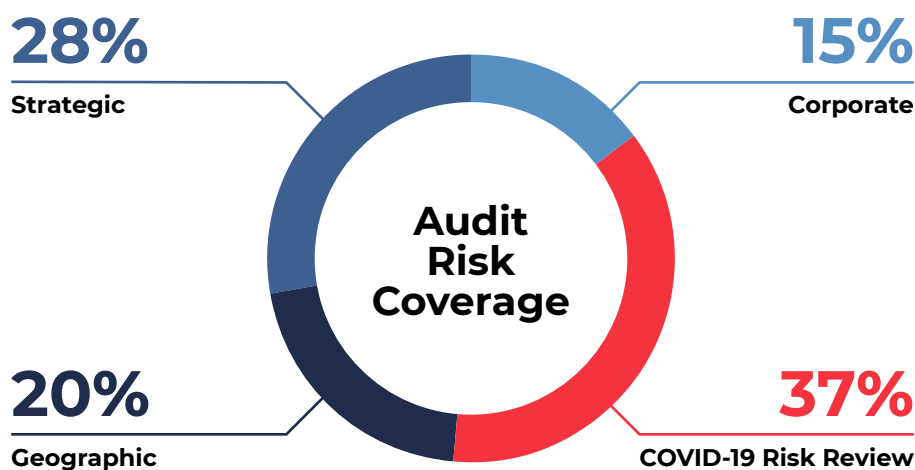


3. SUMMARY OF 2020 AUDIT REVIEWS AND RISK THEMES

3.1. Internal audit coverage reporting

The OIAI's internal audit function has continued to develop during 2020, both in the quality and quantity of its work, through further refinement of its risk-based audit approach and the addition of focused rapid reviews of critical risks. The OIAI has continued to benefit from the support and advice of the Audit and Risk Commission. The OIAI's schedule of planned audit work for 2020 was endorsed by the Secretary General in November 2019 and revised in April 2020 to meet the challenges of the COVID-19 pandemic. The OIAI fully delivered the revised plan by the end of 2020. The plan comprised seven internal audit reviews, seven rapid risk reviews, and two risk follow-up exercises that assessed the status of all outstanding risks from prior audit work. Rapid risk reviews are an OIAI innovation. These rapid risk reviews utilise an agile approach, with the OIAI conducting independent risk assessments, identifying key emerging risks, and suggesting mitigating actions to support IFRC's leadership in real time.

Figure 2: Audit risk coverage



Due to the current travel restrictions, all audits in 2020 have been conducted remotely. The OIAI will continue to refine and develop its approach to remote auditing given the likelihood of continued travel restrictions in order to ensure the delivery of the 2021 internal audit plan.

In response to the COVID-19 pandemic, the OIAI reduced its coverage of country office level risks, choosing to focus the team's geographic coverage at the regional level. To enable adequate assurance coverage, the OIAI increased its focus on corporate and strategic areas, such as programme monitoring, funding modalities, IT governance, and communications.

During 2020 the following audits were undertaken:

Internal Audits	COVID-19 Rapid Risk Reviews
Disaster Relief Emergency Fund	Procurement and Supply Chain Management
Europe Regional Office	Human Resources
Asia Pacific Regional Office	Surge Capacity
Communication and Social Media	Volunteers Management
IT Corporate Governance	Treasury Management
Programme Monitoring	Working Advances
COVID-19 2020 Expenditures	Donor Engagement

3.2. Emergency Social Safety Net (ESSN) programme

The ESSN is the largest programme managed by the IFRC and the Turkish Red Crescent. ESSN originally ran from April 2020 to March 2021 but has since been extended to March 2022. The secretariat took over the management of ESSN in April 2020. The Turkish Red Crescent Society is the primary implementer of ESSN, alongside the IFRC, which holds the agreement with DG ECHO.

The ESSN currently supports more than 1.8 million refugees living in Turkey. Cash is transferred to refugees monthly, with quarterly top-ups for vulnerable households. A minimum of 90 per cent of programme expenditure goes directly to beneficiaries. A Financial Service Provider holds the bank accounts for refugees and facilitates the distribution of cards and the disbursement of cash.

To support a robust framework of control and effective risk management, an audit team was embedded in ESSN's structure in April 2020. While the team is based in the IFRC Turkey delegation, they are independent and report directly to the OIAI Director. The audit team is based in-country, but COVID-19 restrictions mean some work is being carried out remotely. The ESSN audit team has a separate annual assurance plan for the period from July 2020 to March 2021, in line with the programme's original timeline. A second-year plan has been developed to cover the 2022 extension.

The ESSN audit plan covers a range of risk areas including operating procedures and controls, procurement, finance, and the end-to-end cash cycle. In addition to designing and delivering ESSN's annual audit plan, the ESSN audit team also leads and oversees the delivery of quarterly financial spot checks and quarterly household visits, delivered with the support of a third-party service provider.

Rim's life in Turkey where she sought shelter with her family due to increasing clashes in Syria has been interrupted by the COVID-19 pandemic.

Funded by the European Union and its Member States under the Facility for Refugees in Turkey, the ESSN provides monthly cash assistance via debit cards to 1.7 million of the most vulnerable refugees in Turkey. The cash assistance enables them to decide for themselves how to cover essential needs like rent, transport, bills, food, and medicine.

© IFRC. Photo by Irem Karakaya

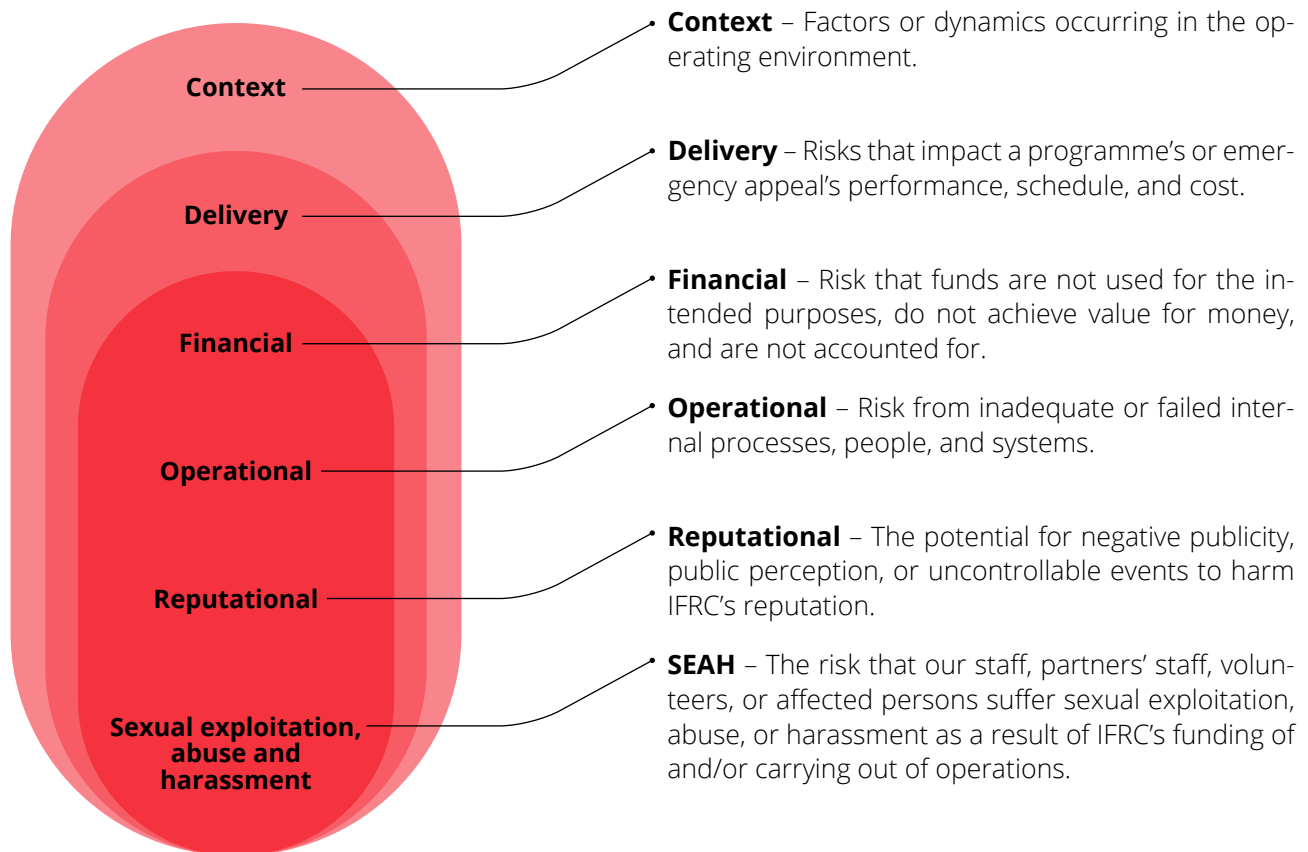




3.3. Risk themes

From the seven internal audits carried out in 2020, the OIAI identified 98 risks that required action from IFRC's leadership. To support IFRC's leadership with the prioritisation and management of the risks identified, all risks are categorised against six major risk themes. The themes are context, delivery, financial, operational, reputational, and SEAH. Risks flow from objectives and represent the uncertainty around the achievement of objectives. The below diagram defines these risk areas and shows the relationship between the risk categories.

Figure 3: Risk themes

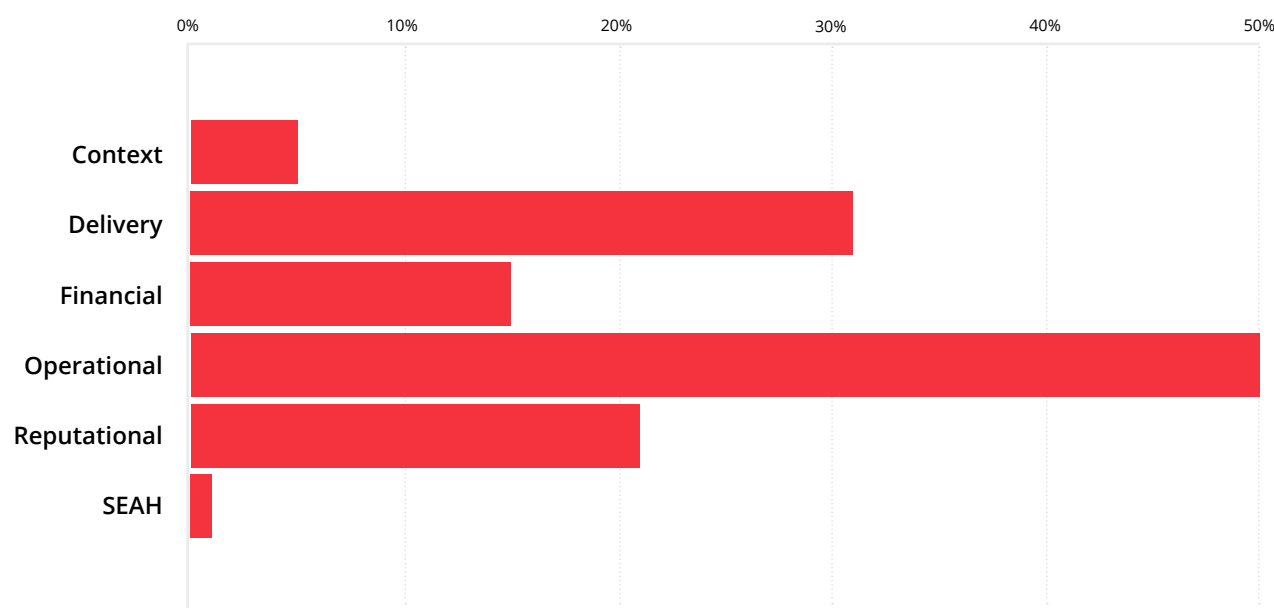


The results of the OIAI's audits have shown that while the IFRC has a well-established control framework, this framework has faced significant pressure due to the operational and contextual challenges related to the pandemic in 2020. It is perhaps expected that the OIAI's audits have identified an increase in operational and delivery risks, as the IFRC adapted to the "new normal". The OIAI has also increased its focus on the operational areas during the year, which has contributed to the increase in operational risks identified.

The COVID-19 pandemic has highlighted the need for the IFRC to continually review and fine-tune its corporate and programme systems, to ensure it can continue to meet tomorrow's challenges.

The continued refinement and embedding of IFRC's risk management culture and plans for greater corporate control automation and digitisation will be critical to meeting these challenges in 2021.

Figure 4: Percentage of total risk identified



3.4. Follow-up of management actions to mitigate risks

The OIAI has a six-monthly risk follow-up process to assess the status of risks identified as part of the OIAI's audits and subsequent management actions to mitigate them. This assessment is performed at the end of June and December of each year. In 2020, 1,639 risks were due to be mitigated and closed by the end of the year. As of December 2020, 1,494 risks have been closed, with 145 risks overdue for mitigation and closure.

Regions	No. of risks identified	No. of risk mitigations implemented	Implementation rate		
			December 2018	December 2020	December 2021
Africa	592	530	89%	97%	90%
Americas	165	158	82%	96%	96%
Asia Pacific	459	441	95%	90%	96%
Europe	120	117	88%	97%	98%
MENA	77	72	93%	75%	94%
Geneva	247	176	65%	81%	78%
Total	1660	1494	86%	91%	91%

The IFRC management team continues to take actions to address weaknesses in governance, risk management, and controls that have been identified through OIAI audit work. During 2020, the IFRC management team have remained focused on addressing critical risks identified by the OIAI. The overall implementation rate, as of December 2020, remains steady, at 91 per cent. The OIAI continues to work with and support the IFRC's leadership in developing effective solutions to manage outstanding risks with a particular focus on any significant risks that have been outstanding for more than a year.

Khammouane Province, Laos. Throughout its work, Lao Red Cross, supported by International Federation of the Red Cross and Red Crescent Societies as well as other partners, promotes community-based disaster risk reduction and community resilience.

© IFRC. Photo by Mirva Helenius





4. INVESTIGATION SUMMARY

4.1. Introduction

The OIAI's investigations section provides an independent and objective fraud, SEA, SH, and misconduct investigation service. In this, it has a delivery function, but this remains non-executive. The results of the independent investigations are passed to the relevant line management function for review and action.

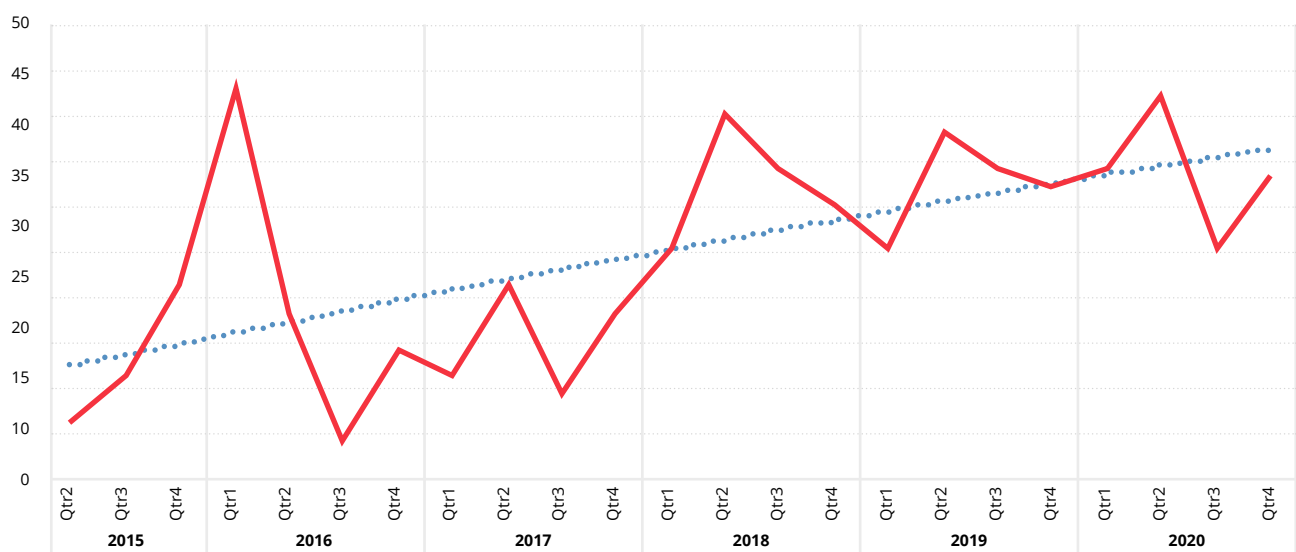
The investigations function is particularly important to donors, and the IFRC has invested heavily in building donor confidence and trust. To this end, the OIAI hosted quarterly meetings with key stakeholders to openly discuss allegations, investigations, and integrity action plans.

The cases under investigation are all complex and strategically important to the IFRC (especially in respect to finance, delivery, and reputational risk). The complexity of the cases is predominantly driven by varied operating contexts and ambitious delivery plans of the IFRC's operations.

4.2. Complaint trends and analysis

During 2020, the OIAI received 135 complaints, an increase of five complaints compared to 2019, which equates to a 4 per cent increase in complaints received. This continues the overall trend of complaint numbers increasing every year. On average, the OIAI's investigation team received an allegation every two business days. Complaints are reported to the OIAI by mail, email, telephone, and personal interactions. Most allegations (approximately 60 per cent) are received through the IFRC's whistleblowing hotline, SafeCall®.

Figure 5: Complaints by quarter



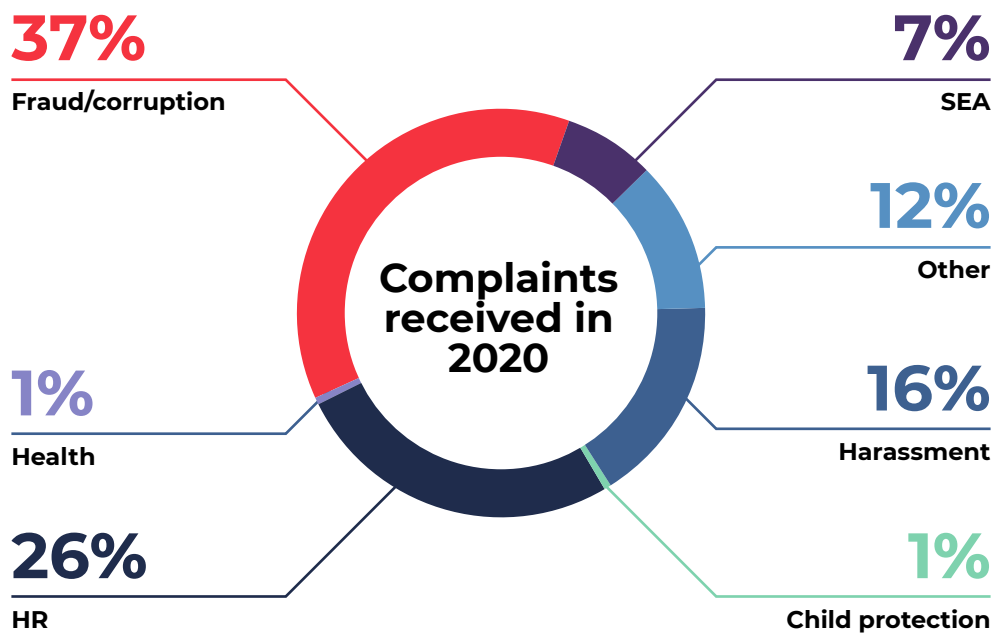
The increasing number of complaints is not on its own indicative of more fraud, corruption, SEA and SH. Rather, it appears to be a reflection of the IFRC and its staff having increased awareness of acceptable conduct and available channels for reporting alleged misconduct, alongside the continued enhancement of reporting mechanisms.

The credibility, verifiability and materiality of all complaints is assessed prior to any investigation taking place. The increasing number of allegations has made the rapid initial assessment of allegations challenging and has, in part, driven many of the 2020 investigation enhancements detailed below.

The makeup of complaints for 2020 remains consistent with previous years, with fraud and corruption cases making up most allegations (37 per cent), followed by HR (26 per cent). HR cases mainly relate to allega-

tions of bullying and managerial disputes. If assessed as credible, these are passed to Human Resources for investigation. The OIAI has noted that seven per cent of complaints related to SEA, 16 per cent related to harassment (which included both sexual and nonsexual harassment) and one per cent related to child protection. During 2020, the OIAI has increased its SEA and SH investigation capacity, with the recruitment of an SEA and SH investigation specialist and embedding SEA and SH investigation capacity into our investigation outsourcing contracts. The 12 per cent of allegations categorised as “Other” related to a range of issues covering IFRC governance and policy concerns.

Figure 6: Percentages of complaints received in 2020 per case type



During 2020, the OIAI received the most complaints from the Africa region (40), followed by the Americas (39), Asia Pacific (23), Europe and MENA (12 each), and Geneva (9). For most regions, fraud and corruption or HR issues remain the most common basis for the filing of complaints. The only exception was Geneva, where the most common complaint related to harassment.

The below chart shows the breakdown of complaints.

Figure 7: Complaints received in 2020 by region



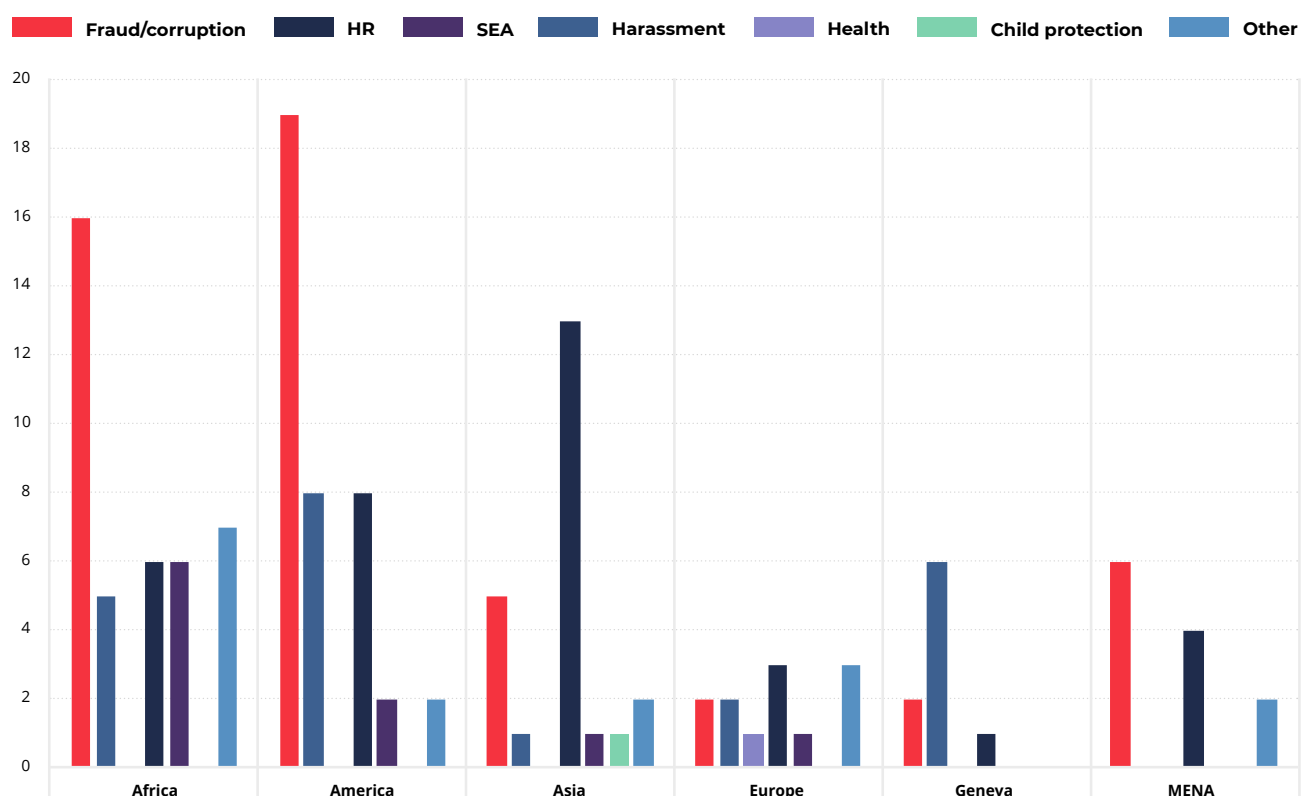
Forecast-based Financing in Peru. Forecast-based Financing can save people's lives and their livelihoods because it helps people prepare for floods, heavy storms, potential mudslides or snowstorms before they strike. In the Peruvian Andes, forecasts of extreme cold and heavy snows trigger the release of funds and the deployment of Red Cross volunteers/staff before the thermometer starts dropping, allowing Alpaca herders to protect their livestock with medicine and shelters to keep them alive.

© RCRC Magazine. Photo by Bruno Chávez





Figure 8: Complaints received in 2020 by region and type



4.3. Investigation analysis

The IFRC employment regulations require investigations to be carried out to a criminal standard of beyond reasonable doubt, rather than a civil one. This approach increases the level of evidence required to substantiate an allegation and, as a result, the average time required to carry out an investigation. Once a complaint is received, an initial assessment is carried out to assess, at face value, whether the allegations of prohibited conduct are credible, verifiable and material, thereby warranting a full fact-finding investigation. This assessment process may involve preliminary fact-finding, including interviewing the complainant and/or obtaining additional supporting documentation. On average, during 2020, 10 per cent of allegations led to a full investigation. As the total number of complaints has grown over the past five years, this average number of investigations has fallen.

Figure 9: Allegations and investigations trends

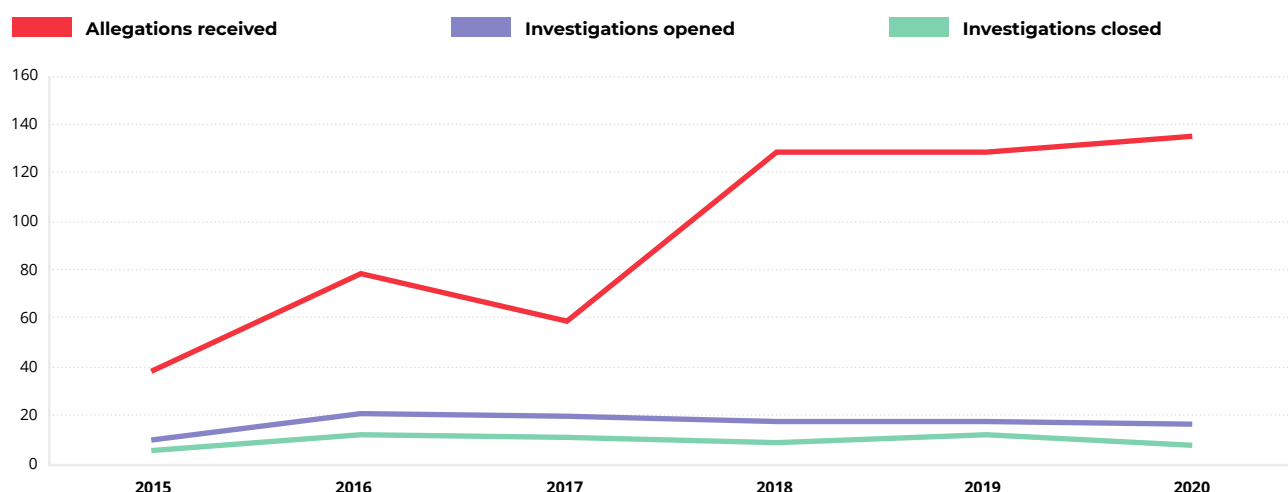
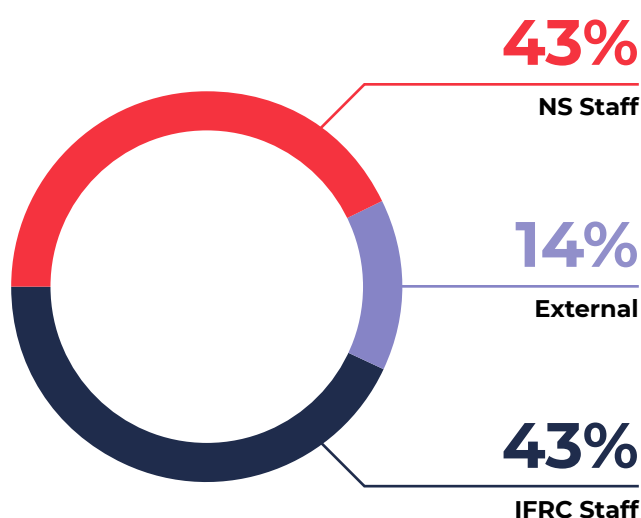


Figure 10: Substantiated cases in 2020 - Employment



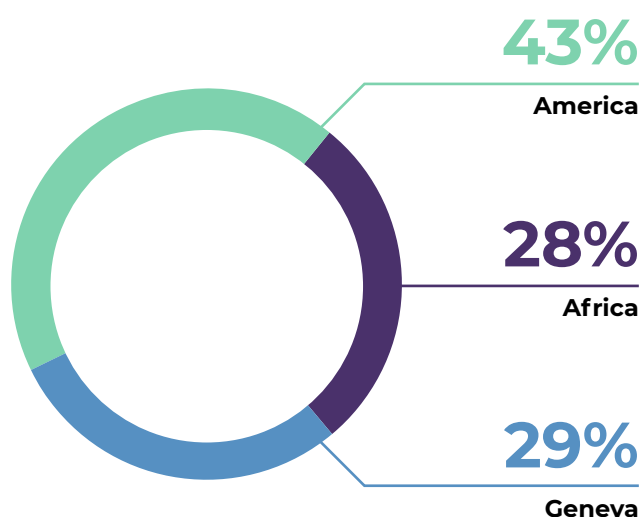
At the close of 2020, the OIAI had 35 active investigations at different stages, ranging from pre-review to final reporting.

During 2020, the OIAI substantiated seven investigations, four related to fraud and corruption, two related to sexual abuse and exploitation, and one relating to harassment. Disciplinary action has been taken in all seven cases.

In 2020, the OIAI observed an increased number of external fraud attacks by criminals impersonating the IFRC or International Red Cross and Red Crescent Movement personnel to defraud the public. When these frauds are identified, IFRC has responded robustly and issued fraudsters with cease-and-desist instructions. Where there is a misuse of the emblem and IFRC identify the country from which the website or company is operating the OIAI refer the issue to the relevant National Society, who are well placed to pursue the matter with domestic authorities (including courts).

We would, however, advise the public to remain vigilant. The OIAI, in conjunction with the IT department, is working to address the problem with the support of the Interpol Cyberthreat Unit.

Figure 11: Number of substantiated cases - Region



Internal fraud threats were generally constant with previous years, with procurement fraud (e.g., bid-rigging, kickbacks, collusion) continuing to be the most common type of attempted fraud. This year also saw a rise in HR-related frauds. For example, the OIAI identified a large resumé and recruitment fraud scheme involving an employee who helped friends and family to be recruited using forged resúmes.

4.4. Enhancing investigation capacity

In 2020 there was a continued rise in the number and complexity of integrity-related allegations and investigations across the IFRC. This has stretched the OIAI's current investigation capacity. To meet this challenge, the OIAI has taken the following actions:

- Enhanced investigation capacity with the recruitment of regional investigators in Africa, the Americas, Asia Pacific, and MENA.
- Refreshed the OIAI's framework agreements for the outsourcing of investigations, to expand the quantity and quality of external investigative capacity available to the IFRC.
- Increased the Federation-wide investigation capacity by sponsoring 25 candidates from National Societies to become Certified Fraud Examiners (CFE).
- Enhanced the IFRC's whistleblowing and case management system, with the new system coming online during the summer of 2021. The new system operates in multiple languages, is toll free, enhances the pre-assessment of allegations, and allows for secure case management and data security.
- The OIAI organised and hosted the virtual global conference "Preventing Corruption in Humanitarian Operations". The event gathered 27 integrity and investigation experts with the objective to raise awareness across the IFRC and the wider Movement and was attended by 445 participants.

During 2021, the OIAI investigation team will continue to refine its approach to both investigation and case management. The COVID-19 travel restrictions, in conjunction with a rising number of allegations, mean that the OIAI is shifting to a case management approach, with more cases being outsourced. This allows the OIAI to make more targeted use of its in-house resources to address sensitive and complex allegations, while at the same time increasing the pace of case closures and ensuring an appropriate response to reports of alleged misconduct.

4.5. Stakeholder reporting

The OIAI investigation team has been engaging regularly with donors since 2018, when it held its first donor group briefing on fraud and misconduct. Those meetings are now taking place quarterly and have settled into a regular pattern attended by donors, National Societies, and diplomatic missions.

The OIAI held four virtual meetings in 2020 with key stakeholder groups, where the OIAI openly discussed allegations, investigations, and integrity action plans. These conversations are to engage our key donors and stakeholders in our work and demonstrate the IFRC's commitment to action.



"My hope is that my grandson studies hard and goes to school and becomes an important person - he will have a good future," says proud grandmother, Hira Gurung. Rasuwa, Nepal.

© Canadian Red Cross. photo by Marko Kokic

5. APPENDIX 1 – IFRC INTERNAL AUDIT CHARTER

INTERNATIONAL FEDERATION OF RED CROSS AND RED CRESCENT SOCIETIES INTERNAL AUDIT CHARTER FOR THE OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS (OIAI)

(January 2021)

Introduction

1. Regulation XIV of the Financial Regulations of the Statutory Texts of the International Federation of Red Cross and Red Crescent Societies state that:
 - The Secretary General shall set up an internal audit and risk management function to assist him (or her) in the management of risk (14.1)²;
 - The mandate of the internal audit function shall be detailed in a charter that shall be drawn up by the Secretary General who shall inform the Finance Commission and the Governing Board thereon (14.2).
2. This Charter constitutes the framework for the Office of Internal Audit and Investigations (OIAI) of the International Federation of Red Cross and Red Crescent Societies (from now on referred to as "the Federation"), and sets out its internal audit function purpose, mandate, authority, and responsibilities.
3. The Charter is supported and underpinned by OIAI's detailed internal audit manual.

Purpose

4. Internal audit is an independent and objective assurance and consulting activity, designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes³.
5. The purpose of the OIAI internal audit function is to provide objective assurance to the Secretary General and his/her Senior Management Team over the adequacy and effectiveness of the Federation's governance, risk management, and control processes. OIAI provides support to management, through its risk-based audit and consultancy work, to better manage risks and achieve the Federation's objectives.
6. This is consistent with the Global Mission of Internal Audit, set out in the International Professional Practices Framework:
 - "To enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight."

Professional standards

7. The OIAI internal audit function complies with the Global Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.
8. OIAI's professional audit staff who are members of other professional institutes and bodies, will also comply with their professional regulations.

² To ensure independence "management of risk" does not include management of operational functions or responsibility for the delivery of risk management.

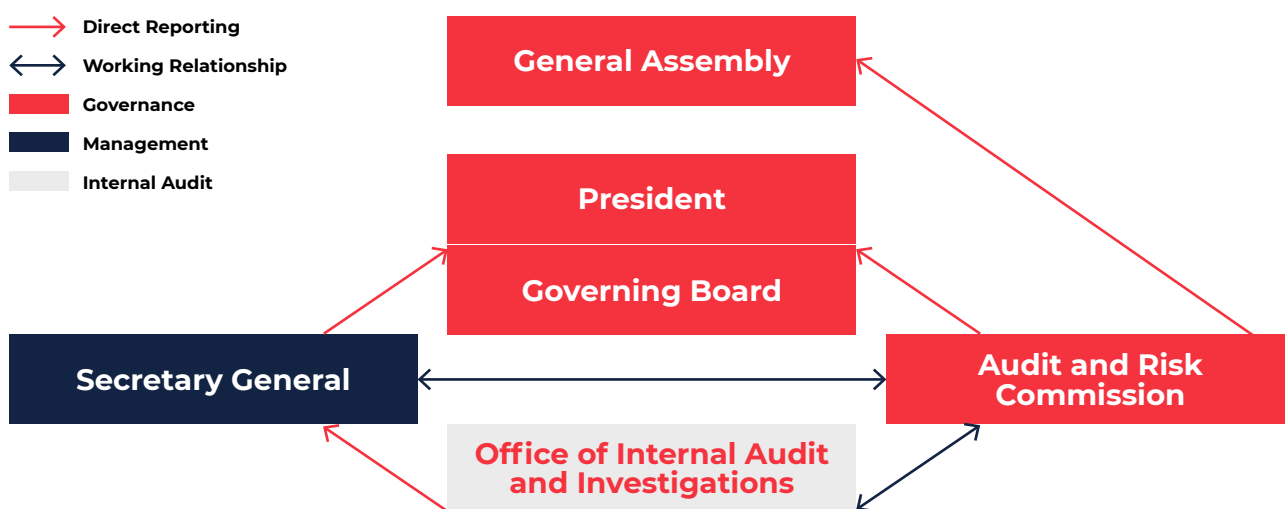
³ Text base on the Global IIA definition of internal audit.

Role and scope of activity

9. The scope of OIAI audit activities shall include all programmes, operations, and activities of the Federation including the support to and interactions with its member National Societies and partners.
10. The OIAI shall fulfil its assurance role by the systematic review and evaluation of risk management, internal controls and governance, including policies, procedures, and operations that management have put in place to:
 - Ensure governance systems are effective in the decision making process that support the achievement of the Federation's strategic objectives.
 - Establish and monitor the achievement of the organization's objectives.
 - Identify, assess, and manage risks that could have an adverse impact on the achievement of its objectives.
 - Manage key business processes (financial, programme, and operational - including IT).
 - Ensure the economical, effective, and efficient use of resources.
 - Ensure compliance with established policies, procedures, laws, and regulations.
 - Safeguard resources from losses of all kinds, including those arising from fraud, theft irregularity, bribery or corruption.
 - Safeguard employees and beneficiaries from sexual abuse, exploitation abuse and harassment.
 - Ensure the integrity and reliability of information, accounts and data.
11. The OIAI may perform consultancy services related to governance, risk management, and internal control provided it does not impair the auditor's independence.

Independence

12. Independence is essential to the effectiveness of the internal audit.
13. To ensure independence, the OIAI has no executive functions, and the Director of OIAI is a member of permanent staff reporting directly to the Secretary General (SG). The Director of OIAI's performance is managed by the SG and informed by input from the Audit and Risk Commission (ARC) Chair.
14. The Chair of the Commission shall participate in the recruitment panel when selecting a new Director of OIAI. Appointment and removal of the OIAI Director shall be a function of the Secretary General and shall be decided in consultation with the Chair of the ARC⁴. The ARC has an oversight role and is responsible for endorsing the job description and recruitment process.
15. The reporting lines and relationships of the OIAI are outlined below:



⁴ SG and USG's

16. The OIAI shall be independent of all the programmes, operations, and activities it audits, to ensure impartiality and credibility of the work undertaken.
17. While OIAI staff may be embedded within regional offices, their reporting line remains to the Director of OIAI. Thereby safeguarding the independence of all audit staff regardless of their operational base.
18. The OIAI shall conduct internal audits in a professional, impartial, and unbiased manner. Conflicts of interest should be avoided, but if identified, they will be recorded and highlighted as part of the audit scoping process, including how they will be mitigated. Significant and material conflicts of interest are required to be reported to the ARC, which will recommend actions to mitigate the implications of any potential conflicts of interest.

Authority

19. The Director of OIAI has the authority to initiate, carry out, and report to the SG on any action that they consider necessary to fulfil their mandate, and shall have in-camera direct access to the Audit and Risk Commission (ARC).
20. For the performance of their duties, OIAI shall have unrestricted, unlimited, direct and prompt access to all relevant records, officials or personnel, and to all the Federation premises.
21. The OIAI shall respect and keep the confidential nature of any information gathered or received that applies to an audit and shall use such data only in so far as it is necessary for the performance of an audit.

Responsibility

22. The Director of OIAI has the responsibility to develop an audit strategy, using an appropriate risk-based methodology, setting out how assurance will be provided over an annual period that will enable the Head of Internal Audit to give reasonable assurance on risk management, governance, and internal controls.
23. Before the start of each financial year, the OIAI presents a forward annual work programme developed with the management team to the ARC for endorsement before being submitted to the SG for approval.
24. The Director of OIAI shall provide the Secretary General and the ARC with an annual opinion on the overall state of internal controls across the IFRC and any systemic issues requiring management attention, based on the work of OIAI and other assurance providers, drawing out key lessons to be learned.

Reporting

25. After each engagement, reports are issued by the Director of OIAI to the relevant member of the Executive to action. These are copied to the SG and ARC. Suggestions and agreed management actions are systematically recorded and their effect on risks identified are followed up to ensure the effective mitigation of risks.
26. Throughout the year, the OIAI prepares a quarterly report to the SG and ARC, which summarises key findings from audit engagements performed to date. At the end of the financial year, the Director of OIAI (supported by the HIA) prepares an Annual Report and provides an overall opinion on the adequacy and effectiveness of management systems.

Fraud and sexual exploitation abuse and harassment (SEAH)

27. Managing the risk of fraud and SEAH is the responsibility of Federation's management team. The management team is responsible for instituting appropriate measures to ensure that an adequate system of internal control has been designed and is operationally effective. The OIAI is accountable for evaluating the controls designed within the system that reduce the risk of fraud or SEAH. The OIAI Investigation team ensures the investigation of suspected fraudulent activities. Risk evaluations (audits) and investigations together with appropriate sanctions and redress for those who pursue fraudulent, corrupt, or inappropriate sexual activities and proper governance of procedure and process reduce the risk of abuse of IFRC

staff, beneficiaries, and assets. These activities, along with dialogue over fraud and SEAH⁵ risk across the Federation complements the prime responsibility placed upon line management, at all levels, to deter and detect wrongdoing and abuse through the maintenance of adequate controls and procedures.

Relationship and coordination with external audit

28. The Director of OIAI meets regularly with the external auditors to discuss mutual audit plans and identify areas where assistance and assurance can be provided to each other. Coordination will help ensure the adequacy of overall audit coverage and to minimise duplication of effort.
29. The Director of OIAI will ensure that the commissioning of external audits for IFRC programmes is done in a fair and timely manner. The Director of OIAI will ensure that all contracted external audit work is completed to the high standard expected by both the Federation and its donors and aligned with the requirements in this Audit Charter.

Recruitment and skills

30. The Director of OIAI is responsible for assuring the ARC that the department is suitably resourced – in terms of staff number and capability – to deliver its assurance and investigation services effectively. The Director of OIAI will ensure that staff have the necessary qualifications, skills, and experience to perform their duties.
31. Through IFRC's performance management framework, the Director of OIAI will ensure staff are aware of and comply with relevant professional standards as promulgated by the International IIA, the ACFE, or other relevant bodies, including the requirement to maintain continuing professional development.

Quality assurance

32. The Director of OIAI is responsible for ensuring that audit work is conducted to relevant professional standards. The Director of OIAI is responsible for commissioning and engaging the ARC in the five-yearly external quality assurance (EQA) exercise. The Director of OIA will provide quarterly update reports to the ARC of the results of the rolling programme of internal quality assurance (IQA) and audit enhancement programme.

Revision Clause

33. This Charter shall be subject to annual review by the ARC as an annex to the annual report and subject to a full revision at least every four years, or more frequently when it is considered necessary.

Approved by:



Jagan Chapagain

*Secretary General, CEO
International Federation of Red Cross and Red Crescent Societies*

⁵ Sexual exploitation, abuse, and harassment



The International Federation of Red Cross and Red Crescent Societies (IFRC)

is the world's largest humanitarian network, with 192 National Red Cross and Red Crescent Societies and almost 14 million volunteers. The IFRC works to strengthen and accompany National Societies, so that they may better address current and future challenges. We support coordination of the global Red Cross and Red Crescent network before, during and after disasters and crises.

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