



Assurance Review of Aid Modalities (WWPP - Working with Project Partners)

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International Federation of Red Cross and Red Crescent Societies
Fédération internationale des Sociétés de la Croix-Rouge et du Croissant-Rouge
Federación Internacional de Sociedades de la Cruz Roja y de la Media Luna Roja
الاتحاد الدولي لجمعيات الصليب الأحمر والهلال الأحمر

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1. Introduction

1.1. Area subject to review

1. This report covers our review of the Aid Modalities, “Working With Project Partners” (WWPP). This review assesses if the piloted IFRC Secretariat aid modalities are sufficient to meet the strategic challenges for the Federation and to allow them and the Secretariat to deliver its mission.
2. The report considers the wider frameworks of controls, policies and procedures and their impact and relationship to assess National Societies.

1.2. International Federation of the Red Cross and Red Crescent Societies (IFRC) context

3. The IFRC seeks to provide funds to national societies in a manner that mitigates risks to the Secretariat and to its stakeholders, including the national societies of the Federation. The IFRC is bound through its constitution to work through its member national societies. The IFRC is also bound to develop the capacity of its national societies, which it does through its own efforts and through the co-ordination of stronger national societies’ support and capacity.
4. Historically the IFRC has given money in one of two aid modalities, through cash transfer or working advance. For cash transfers funding is given from IFRC to the relevant national society and the IFRC gains assurance over the expenditure’s accuracy and veracity through an audit of the financial statement for the programme monies. Money is counted as expended in IFRC’s books at the point of disbursement.
5. Under the working advance aid modality funds are advanced to the relevant national society in limited tranches. The national society then accounts to IFRC for the monies spent with transactional level receipts. These are validated by the IFRC and then booked into the IFRC’s accounts. This then enables release of the next tranche of funding. An audit of working advances is also undertaken on a risk basis. Money is counted as disbursed only when a satisfactory retrospective reconciliation of the transactions by IFRC is undertaken.
6. The Working with Project Partners’ (WWPP) initiative was started in 2015. The objective was to introduce a new risk-based aid modality in working financially with National Societies, by adopting clear risk mitigation and assurance measures, which are informed by a systematic process of capacity review and risk assessment.
7. WWPP is effectively a hybrid of the cash transfer and working advances aid modalities. It enables a more nuanced and thematic assessment of the national society’s capacity and proposed a mix of either cash transfer, working advance or, in cases of highest risk, IFRC-directly delivered, funding.
8. The pilot project was commenced in January 2016 with twenty National Societies (across five regions) that have undergone the capacity review and risk assessment process as of November 2018. The plan is to increase the number of pilots each year and to test the new procedure and tools, before rolling it out to all National Societies.
9. The IFRC is committed to working with its project partners in a complementary, efficient and effective manner, building on National Society priorities and capacities and the complementary expertise of components of the Movement. The IFRC has, therefore, established a project partner identification, selection policy and procedures in the beginning of 2016. Such procedures set out what shall be followed when the IFRC provides funding to a partner to implement programme activities, on a not-for-profit basis, as described in an emergency appeal / thematic programme plan or project proposal.

1.3. Rationale for the review

This scheduled audit was part of our *2019 Internal Audit Plan*, as approved by the Secretary General and agreed with the Audit and Risk Commission.

2. Scope of review

10. The scope of our audit aims to assess if the piloted IFRC Secretariat aid modalities are sufficient to meet the strategic challenges for the Federation and to allow them and the Secretariat to deliver its mission, whilst meeting stringent and ever more specific donor requirements and internal control frameworks.
11. The scope of our audit includes a review of the following, with a risk-based approach, used to prioritise the audit activities:
 - Selection – who (which partners) are we assessing? What are the criteria? Are risk management framework and control frameworks established? What are the standards of risk management and control?
 - Assess – how do we engage and review the capacity of our partners? Implementation of the Procedures (or drafted).
 - Roles and Responsibilities - who does what through the different stages?
 - Planning and monitoring – Is there an established plan? How do we monitor the plan's delivery? What are the review and risk assessment processes?
 - Implementation – Are activities implemented according to plan? What is the programme delivery and subsequent control framework.
12. The conclusions of our audit will be 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.

3. Audit Findings

3.1. Good practice identified

13. We identified the following examples of good practice:

- The need for refreshed and enhanced aid modalities has been recognised and the WWPP process has been undertaken and is now largely concluded.
- A risk-based assessment has been introduced linking risk to a more nuanced response than previous aid modalities allowed.
- A consistent and robust process of review and stakeholder consultation enabling the WWPP process to evolve and develop over time.

3.2. Key issues and risks

14. The following key risks are identified from this review:

- **Aid modalities' effectiveness** – Even with the WWPP changes, the underlying aid modalities are not significantly changed. It is still based on a largely financial, rather than programmatic, assessment. The risk assessment does not look at the broader funding context of the recipient national society.
- **Link to programme oversight controls** – The current aid modalities have been improved through the WWPP to be more clearly linked to risk and more flexible in application. These changes still mean, however, IFRC funding is routed through a relatively static, financial control oriented, aid modality.
- **Assessment's integration** – The various national society assessment tools do not necessarily link or integrate with each other and they have different purposes, objectives and methodologies. Most of the assessment tools do not have a well-established or codified risk framework.
- **Risk assessment** – A detailed list of risks that IFRC Secretariat aims to consider as part of the WWPP assessment has not been established, as a basis for the WWPP questionnaire. There were, however, some broadly identified risks (financial, operational, etc.). There is no risk register established, neither as a basis for the WWPP process, nor in advance of each assessment.

3.3. Summary IFRC management response

15. Management appreciates this assurance review on aid modality. The digitisation of the capacity review and risk assessment process already addresses many of the findings in this report.
16. The risk-based aid modality under WWPP is a significant improvement over current methodology, as it is dynamic and adapts to each National Society's capacities and controls, while considering various risk aspects that are beyond the National Society itself. The modality is benchmarked to other reference agencies and promotes a spirit of trust and good stewardship when working with project partners.
17. The availability of the digital platform in the IFRC's four official languages will accelerate the path towards institutionalising the new aid modality amongst the IFRC's project partners.