



Assurance review of Myanmar Country Office

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1. Introduction

1.1. Area subject to review

1. This report covers our review of International Federation of the Red Cross and Red Crescent's (IFRC) presence in Myanmar and concentrates on the country office based in Yangon, and sub-office in Rakhine State. This review assesses control used to manage IFRC funded programmes to ensure that country office objectives are being met and risk is mitigated to within IFRC's risk appetite.
2. The report takes into account the wider IFRC strategy, frameworks of controls, policies and procedures and their impact and relationship with local risk management in the Myanmar context.

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

Background

3. Myanmar undertook democratic elections in 2015. The adaptation to democracy, however, was difficult as power struggles continued in the country's leadership. Ongoing internal separation at all levels across the country continues to create divisions in Myanmar states, particularly in the north west on the Bangladesh border. The Rakhine riots and communal violence of 2012-13, increased insurgency in 2016 and subsequent military intervention in August 2017 increased humanitarian needs, where basic service provision around health, food and livelihood security and education was already limited.
4. Country infrastructures continue to be weak. Myanmar is placed 130/180 countries in the 2017 corruption perception index. It also ranks 145/180 in the human development index. Access to sites is affected by security restrictions. The refugee movement into Bangladesh increased international attention and in turn there was an increased lockdown on the freedom to access isolated communities in 2017-18 and the free flow of information. Provision of aid has been a sensitive subject in Rakhine. There is a belief that aid groups are biased towards specific groups of people when delivering aid, which can create further service delivery challenges.
5. Myanmar's geographic position means it is prone to natural disasters, such as floods and landslides due to the monsoon, cyclones, fire threats and earthquakes. In 2017-18, there were 28 small earth tremors. The largest earthquake in recent times was 2011, with a magnitude 6.9 and a death toll of 151 people.
6. The capital of Myanmar was relocated to the new city of Naypyidaw in 2005, and likewise, the Myanmar Red Cross headquarters relocated from Yangon in 2016.

Red Cross

7. The Red Cross movement has a privileged position within Myanmar at the time of this report. The Myanmar Red Cross Society (MRCS) is a key auxiliary institution to the government in the legislative framework. The local 1959 MRCS Act (amended, with the last update in 2015) confers responsibility to the MRCS to implement humanitarian activities and alleviate human suffering. This gives the movement improved access and clearer channels to undertake disaster response in times of emergency. Other international organisations have limited rights to operate in Myanmar. There are 17 MRCS district branches and 330 township branches employing over 200 staff and engaging with up to 16,000 volunteers (as stated in 2016) who are formed into set brigades.
8. IFRC has been present in Myanmar / Burma since 1991, with an office established in 1993. The role of the IFRC Myanmar Country Office is to support humanitarian work being performed in country by contributing to the development of the Myanmar Red Cross, being part of the Red Cross Red Crescent movement collective approach and overseeing donor funds.

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9. 2017 saw the first use of the 'one Movement' response approach where donor funds were to be provided via a collective grant agreement concluded with ICRC.
10. The ICRC also has a large-scale operation set up, due to the complex situation and non-international armed conflicts. The main partner national societies also present in country at the time of audit were: American Red Cross; Australian Red Cross; Danish Red Cross; and Qatar Red Crescent and Swedish Red Cross.
11. The current Head of Country Office (HoCO) joined the team in Myanmar in May 2017. There are 26 staff members in the team, of which nine are employed as delegates (including the HoCO).

1.3. Rationale for the review

12. This scheduled audit was part of our *2018 Internal Audit Plan*, as approved by the Secretary General. The last internal audit of the Myanmar Country Office was issued in November 2010 linked to the Cyclone Nargis operation.
13. The review was included due to the increase in attention on Myanmar. There are continuing and growing needs of communities as a direct result of the political situation, which has resulted in more donor funding directly related to short term service delivery and more interest in humanitarian interventions. This is in addition to the need to ensure that internal controls are functioning to reduce the risks of fraud and corruption and security threats.

2. Scope of review

14. Our review of the Myanmar Country Office was part of the 2018 agreed internal audit plan. The scope covered operations in 2017 and 2018 (January to July).
15. The main objectives of the audit were as follows:
 - Review and assess the adequacy and effectiveness of the Office processes, systems and internal controls (including the review of segregation of duties, delegation of authority and risk management).
 - Appraise the economic and efficient use of resources and the safeguarding of assets.
 - Assess compliance with local law, regulations and the Federation Secretariat's policies and procedures by the Country Office.
 - Assess the reliability and integrity of financial and operational information, and the means to report such information.
 - Follow-up on previous agreed audit recommendations (where applicable).

3. Review findings

3.1. Good practice identified

16. We identified the following examples of good practice:
- Co-operation and relationship in country between the IFRC and its partners is an asset.
 - A detailed and well assessed risk register is now in place.
 - Local tactical planning to reduce risk and futureproof the ability to make decisions and react to the changing environment.
 - Minuted weekly staff meetings.
 - Clear and timely individual targets.
 - The asset register is up to date and checked independently.
 - Adoption of IFRC procedures by the National Society.
 - Good record-keeping and overall quality of documentation.

3.2. Findings

Key issues and risks identified

17. We identified the following higher risks to IFRC strategies in Myanmar in this review:
- **Funding control** – Myanmar as a country is still in development phases and will find response to crises, as shown by the increased humanitarian support in Rakhine, a significant challenge. With this in mind, IFRC funding plans must be relevant based on IFRC informed assessments. Currently, there is a risk that funding opportunities are sourced or taken without a clear understanding of how this affects existing delivery, the long-term requirements, and capacity needed in consultation with the Head of Country Office. Other areas of the funding process should be the key concern, including how to deliver the funds to implementing partners (and beneficiaries) in the quickest, but safest way. Fund transfer is delayed due to bottlenecks in the process, including confirming funding commitments, which may impact programme delivery.
 - **Legal risk** – The lack of status in country increases risk in carrying out local transactions. We have noted that recent local actions have been put in place to reduce this risk in country and a clear trail is in place. A visit by the Regional Director as part of a progress review and other recent high-level representation has seen some advances with the government. Although the risk is assessed as managed at this point in our report, the risk can quickly increase depending on external factors.
 - **Impact of inherent risk and expectations on the Country Office** – The traditional provision of programmes can be undermined due to the existing inherent risks, including IFRC access to beneficiaries due to conflict or geographic issues, quality information receipt and dissemination, and lack of stability across the whole territory of Myanmar.
18. The following higher risk issues exist locally in the Myanmar delegation and direct oversight over Myanmar operations:
- **Banking controls** – Risks in cheque preparation and in accounting errors has undermined existing controls, such as bank reconciliations output.
 - **Procurement and logistics** – We note that procurement processes are better designed but there are still logistics capacity issues, particularly oversight of control of goods and warehousing.
- These risks are known by the teams, but logistics is not currently a priority for capacity building (which is concentrated on the core principles of governance, volunteer development and human resources).

Other risks / issues identified

19. The following other risk issues / risks have been identified during the course of our review:

- **Over-reliance on individuals** – We note that this is already recognised by the local delegation and gradual steps are being taken to share responsibility and connections to minimise the risk. Nevertheless, this risk remains at a level that needs immediate reduction.

3.3. Follow up

20. Our 2010 internal audit was performed under a different context and delegation design, so its comparative use is limited. We note that 12 recommendations were included, linked mainly to the operations around Cyclone Nargis, and the working environment in 2010. There were two high risks in procurement and the use of currency. The latter is no longer relevant, but this report highlights similar areas of risk in procurement and working advance management.

3.4. Summary IFRC management response

21. The Myanmar Country Office recognises the risks highlighted in the report and agrees in full or partly with the findings, including the contextual risks and risks inherited from IFRC internal processes that are beyond the control of the country office. As highlighted in the report, the country office has, before receipt of this report, initiated risk mapping and mitigation measures and will continue to do so as outlined under the management response in this report.
22. The country office takes responsibility and step-by-step action to reduce and manage the risks that are within its control. The inherent risks outside its control require concerted efforts by the different levels within the IFRC. Certain risks, such as the legal status, are long outstanding and acknowledged and sustained efforts are being put into place to mitigate the risk in the short and the long term.
23. The country office will continue together with the IFRC's technical experts in the Asia Pacific Regional Office and elsewhere to strengthen systems that requires the commitment from the highest level of governance and local staff and volunteers. The extent and depth of this support is dependent on the availability of the Country Office's resources.