



# OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

2021 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.





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*"It was raining too much, I couldn't get away from the water. I just held my child and went to my neighbours home. Minutes later my house went down." Teresa, 19, holds her baby son in front of her destroyed home in Dondo, Mozambique.*

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# 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 their accountability responsibilities to the Governing Board and the IFRC's stakeholders, including our donors.

The OIAI comprises two key functions: External 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. 2021 in review

The COVID-19 pandemic remained a significant area of focus in 2021, with the IFRC responding to the pandemic in over 190 countries. At the same time, the IFRC, in partnership with the Turkish Red Crescent, continued to deliver the world's largest humanitarian cash transfer programme (the Emergency Social Safety Net Programme - ESSN), while responding to numerous other humanitarian emergencies, frequently related to climate change and migration. Over the last year, the IFRC has faced a complex external operating context, including the global political and economic uncertainty created by the pandemic, as well as internal complexity, with much of the organisation working remotely for a second year.

The pandemic also presented opportunities for increased agility and systems enhancement. Responding to COVID-19 required the IFRC to innovate and adapt, to ensure that it had the knowledge, tools, and trust to meet the needs of the world's most vulnerable people. The OIAI commends the tireless efforts of the IFRC staff and volunteers who stepped up during this unrepresented time to provide vital lifesaving work to millions of people across the globe.

The IFRC has used the COVID-19 crisis as a catalyst for change and strategic realignment, to support delivery of its 2030 goals. The ongoing refinement of risk management has given the IFRC better oversight and understanding of its top risks, allowing for more tactical resource allocation. Risk management now needs to be operationalised throughout the IFRC and the continuous review and fine-tuning of IFRC's corporate and programmatic systems is needed to enable the Federation to meet the challenge of an ever-changing world. 2022-23 will see the implementation of several critical corporate projects, including the launch of IFRC's new ERP system, which will support the modernisation and increased digitisation of IFRC's control framework.

Creating a federal culture of trust and integrity has been prioritised in everything the OIAI delivered during the year. The OIAI's activities continue to focus on critical risk areas for the IFRC, increasing awareness of integrity issues through its work, and delivering timely and impactful audit and investigation services. The 2021 audit plan focused on risks from the COVID-19 pandemic and coverage of the IFRC's strategic priorities and systems.

Despite the pandemic, geographic audits were field based for the first time in 18 months, giving the OIAI greater insight into the effectiveness of risk management and process enhancements in its operations. During the year, the OIAI has provided consultancy support to IFRC leadership on risk management and preventing sexual exploitations, abuse, and harassment (PSEAH). Senior leadership's commitment to and prioritisation of these areas have been evident throughout the year, with significant improvements made throughout 2021.



The OIAI's internal audit function has continued to go from strength to strength, both in the quality and quantity of its work. The strength of the audit team was confirmed through an external quality assessment (EQA) of the function in December 2021, which assessed the team as 'generally compliant' with the International Internal Audit Standards – the highest rating available. The review also confirmed that the audit team continues to offer significant value to IFRC.

## **1.4. OIAI in 2022**

During 2022, the OIAI will use the findings of the EQA to continue to 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; IFRC's response to the Ukraine crisis; ESSN; fraud, sexual exploitation, and abuse (SEA); sexual harassment (SH); and critical IFRC systems. With travel restrictions easing, the OIAI's geographic audit coverage will increase. Several country delegation and Regional Office reviews are planned in 2022 that will consider the effectiveness of the IFRC's processes and corporate controls in operations. The output of this geographic work will be used to support the IFRC's drive for corporate control rationalisation and modernisation.

Over the last two years, the OIAI has led the design and delivery of programme level assurance into the ESSN programme. The success of the ESSN assurance model has given the IFRC a framework that can be used to support effective risk management for future large programmes and operations. Throughout 2022, the OIAI will support the IFRC to utilise this model to safeguard the quality and integrity of the growing number of high-value and strategically significant programmes delivered by the IFRC.

2021 saw the successful enhancement of the IFRC's whistleblowing and case management capabilities with the launch of Integrity Line. The new system, in conjunction with the OIAI's enhanced regional investigations capacity, has raised fraud and corruption awareness across the IFRC and its membership, and given the OIAI the capacity to meet the increased investigation requirements that this brings. Going forward, the OIAI is prioritising supporting the IFRC's membership in enhancing their own integrity capacity and in 2022, the OIAI will support many IFRC members to implement Integrity Line, while continuing to support National Societies in developing in house integrity and assurance services.

*As part of the Finnish Red Cross earthquake and tsunami response in Donggala regency on September 28th. We met Sahoriya, 73, who survived the impacts.*

© Finnish Red Cross. Photo by Benjamin Suomela.







## 2. THE OFFICE OF INTERNAL AUDIT AND INVESTIGATIONS

### 2.1. OIAI's mandate

The OIAI comprises two key functions: Audit (internal and external) 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.

The OIAI is an independent and objective assurance and investigations function that adds value to and helps enhance the operations of the IFRC and its members. The OIAI helps the organisation accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

### 2.2. Purpose of this report

The IFRC is committed to transparency and accountability. The OIAI has committed to sharing an annual summary report on its activities to stakeholders, setting out the scope of the OIAI's activities for the year, the work undertaken, and an overview of the risks and trends emerging from the OIAI's work

To ensure that the OIAI meets its obligations, the 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.

### 2.3. 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 establish direction and for support and administration, and to the ARC for strategic direction, reinforcement, and accountability.

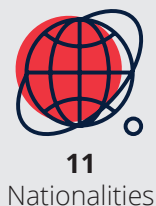
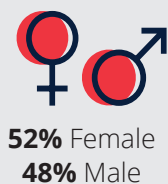
### 2.4. Our Vision and mission

**The OIAI vision** is to drive positive change to enable the IFRC to remain a dynamic global network of organisations that make a difference to the communities we serve.

**The OIAI mission** is to protect and enhance the value the Federation brings to the world's most vulnerable. It does this by providing independent, objective, timely and insightful risk-based assurance, investigations, and advisory services.

### 2.5. Who we are?

**The OIAI is a small, diverse team, predominantly funded from IFRC regular resources.**





OIAI staff are highly skilled, combining audit and investigations, knowledge of the Federation, and experience from many external organisations to deliver value to the IFRC and its membership. The OIAI team brings technical expertise in risk management and control enhancement, a strong commitment for continued development, and passion for the IFRC's mission.

OIAI staff have a wide range of professional qualifications to support the OIAI in fulfilling its role, including Certified Internal Auditors, Certified Public Accountants, Certified Systems Auditors, and Certified Fraud Examiners. To complement the strength of the team, the OIAI utilises subject matter experts from its co-sourcing partners and from member National Societies. The OIAI team comes from a diverse background with experience in law, psychology, audit, investigations, finance, and humanitarian operations.

## 2.6. 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 Auditors' Standards, the charter reflects all activities and responsibilities of the internal audit function. A copy of the charter can be found at Appendix 1 – IFRC Internal Audit Charter on page 17.

The OIAI delivers on its remit through the following activities:

- **Audit**
  - o Delivering risk-based audit and assurance across the IFRC secretariat, including IFRC's Regional Offices, country delegations, programmes, and appeals.
  - o Delivering dedicated risk-based assurance to the ESSN programme.
  - o Overseeing an annual programme of external audit, including external audits of IFRC's emergency appeals.
  - o Coordinating donor audit and assurance services.
  - o Supporting the coordination of the annual audit of IFRC's financial statements.
- **Investigations**
  - o Providing the IFRC's whistleblowing services and providing oversight and monitoring of the service.
  - o Providing counter-fraud training.
  - o Advising on the handling of fraud, SEA and SH cases.
  - o Managing and overseeing fraud, corruption, and SEA responses, across all types of concerns and allegations.
  - o Leading on fraud, corruption, and SEA investigations.
  - o Oversight and procurement of fraud insurance.
  - o Case data management and trend analysis.
  - o Fraud assurance, prevention, and response.
- **Consultancy**
  - o Providing co-ordination and consultancy support to the management team's risk management processes.
  - o Providing independent consultancy support and advice to management colleagues.
  - o Embedding integrity and risk training in audit work.
  - o Audit consultancy support for strategic IFRC initiatives, for example the implementation of the ERP.
  - o Consultancy support on issues and policy development relating to fraud, corruption, SEA, SH and control.
  - o Governance support
  - o Supporting the work of the Audit and Risk Commission, including acting as its secretariat.
  - o Supporting the Governing Board in its risk, control, governance, and integrity work.
  - o Supporting the work of the Donor Advisory Group.

*Beneficiary waiting to receive food at the food distribution in Laisamis, Lontolio village in Kenya. Selections for recipients are based on vulnerability and the communities themselves are involved in the selection.*

© IFRC. Photo by Anette Selmer-Andresen









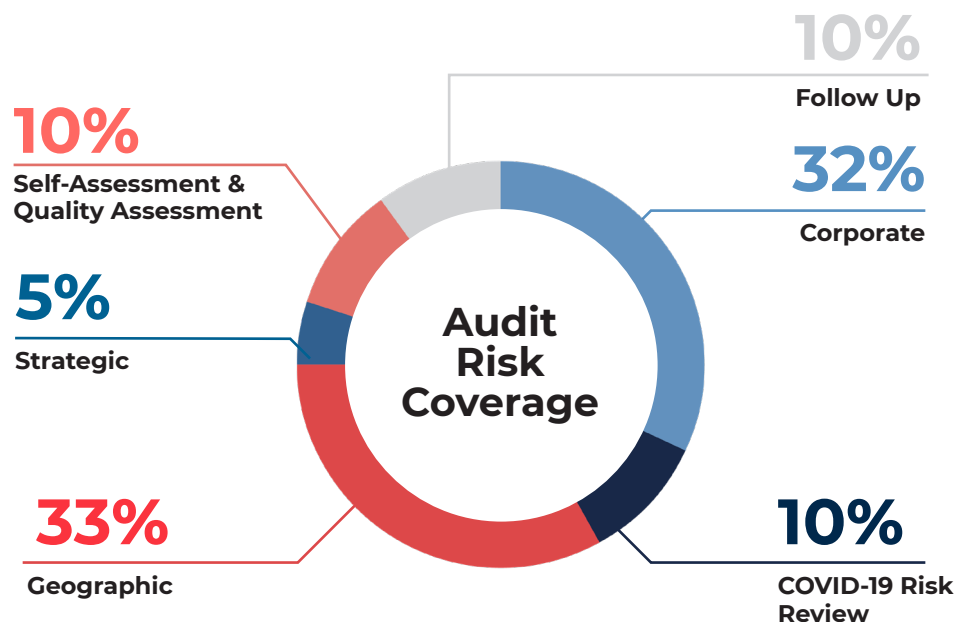
## 3. SUMMARY OF 2021 AUDIT REVIEWS AND RISK THEMES

### 3.1. Internal audit coverage reporting

The OIAI internal audit function targets the key risks to the IFRC and its humanitarian objectives. The response driven nature of the IFRC's humanitarian work requires constant learning and assessment of the IFRC's operating and risk environments. The annual audit plan is therefore an agile one, developed based on a dynamic risk assessment process, which allows the team to focus on the evolving strategic needs of the IFRC and respond to emerging risks.

The 2021 audit plan delivered 15 internal audit reviews and two risk follow-up exercises – where the audit team reviewed the status of previously identified risks. The plan was fully delivered by the end of 2021. In 2021, OIAI's audit function also completed an internal (IQA) and external (EQA) quality review to support the team's continued commitment to excellence.

**Figure 2: Audit risk coverage**



In 2021, the team focused on corporate and geographic risk coverage. Corporate functions and country delegations were under significant pressure in 2020 and 2021 due to the significant scale-up of operations in response to Covid, the switch to remote working and the increased volume of transactions arising from the scale-up. While the audit team reduced its coverage of the COVID-19 appeal from 2020, this also remained a significant part of the audit plan.

With travel restrictions easing towards the end of 2021, the audit team was able to reduce our reliance on remote auditing and carry out many reviews in the person, including field visits to IFRC humanitarian operations.

The audit team carried out the following reviews in 2021:

2021 Audit Work	
Global Road Partnership Risk Review	Use of Consultants Review
Mozambique Delegation	Djibouti Red Cross Risk Review
Covid-19 Expenditure Review (1)	Fleet Management Review
Covid-19 Expenditure Review (2)	IT Asset Management Review
Income Recognition Review	Americas Regional Office
IT Disaster Recovery Review	Central African Cluster
Greece Delegation	Nepal Delegation (Corporate Services)
Financial Controls Review	

### 3.2. Internal audit consultancy

Outside of the formal audit reviews, the team has continued to support IFRC's management in their ongoing efforts to enhance IFRC's risk management and control framework, to allow IFRC to better respond to humanitarian need. To add value, the team offers risk management, integrity, fraud and PSEA training to all IFRC audit clients when an internal audit is performed.

Our consultancy work looks to add value and improve IFRC's governance, risk management, and control processes over key organisational priorities. With the endorsement of the ARC, the OIAI has provided substantive consultancy services on the IFRC's approach to safeguarding risk, the COVID-19 appeal, the optimisation of risk management, and the delivery of significant IT projects – including the ERP project, allowing the IFRC to benefit from the team's risk and control expertise outside of the audit process.

### 3.3. Emergency Social Safety Net (ESSN) Programme

The Emergency Social Safety Net (ESSN) Programme is the world's largest humanitarian cash transfer programme - supporting 1.5m recipients in Turkey. It is the largest programme managed by the IFRC and is delivered in partnership with the Turkish Red Crescent.

To support a robust framework of control and effective risk management, an audit team was embedded in ESSN's structure in April 2020. The team is based in the IFRC Turkey delegation but are independent and



*Emine is seen with her youngest child in this photo, taken in Gaziantep, Turkey. Omar used to be a taxi driver back in Aleppo, living with his larger family when the war started to worsen the conditions in the country.*

© IFRC. Photo by Corrie Butler







report directly to the OIAI Director. The ESSN audit team has a separate annual assurance plan that runs from April-March, in line with the programme's timeline.

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 financial spot checks and household verifications, delivered with the support of a third-party service provider.

### 3.4. External quality assessment (EQA)

As part of OIAI's ongoing commitment to excellence, an EQA was carried out by KPMG in November 2021. The purpose of the review was to evaluate the OIAI's compliance with the International Internal Audit Standards and assess the value that the OIAI offers to IFRC's management, considering the assurance services provided and the audit teams role in supporting organisational enhancement. **KPMG assessed the work of OIAI's audit team to 'generally conform' with international audit standards, which the highest rating achievable.** The EQA assessment has been published [here](#).

### 3.5. External audit coverage

In addition to delivering an annual risk-based internal audit plan, the OIAI audit team also oversees and facilitates an annual programme of external audit work. This includes the annual audit of the IFRC's financial statements and external audits of a sample of emergency appeals for the year. The result of this work is published on the IFRC website. The OIAI audit team also oversees annual external audits of a sample of cash transfers to National Societies as part of the IFRC's internal assurance processes, and facilitates all donor requested audit work.

### 3.6. Risk themes

To support IFRC's leadership with the prioritisation and management of the risks identified in audit work, all risks are categorised against the six major risk categories in the IFRC's risk framework. These themes are: contextual risk, delivery risk, financial risk, operational risk, reputational risk, and SEAH risk. **See Figure 3**

The below diagram defines these risk areas and shows the relationship between the risk categories. **See Figure 4**

#### Risk trends identified in OIAI audit work

The findings of the OIAI's audit work highlighted that while the IFRC has an established control framework, this framework requires continued refinement to keep pace with the growing demand for the Federation's humanitarian assistance, while meeting the delivery challenges posed by the post pandemic world.

IFRC continues to adapt to the 'new normal' and much of 2021 has been focused on control framework review and enhancement. In 2021, the secretariat has invested in enhancing and embedding a risk management culture across the organisation, while continuing to move towards greater corporate control automation and digitisation, which will be critical to meeting the growing demand for its life saving services.

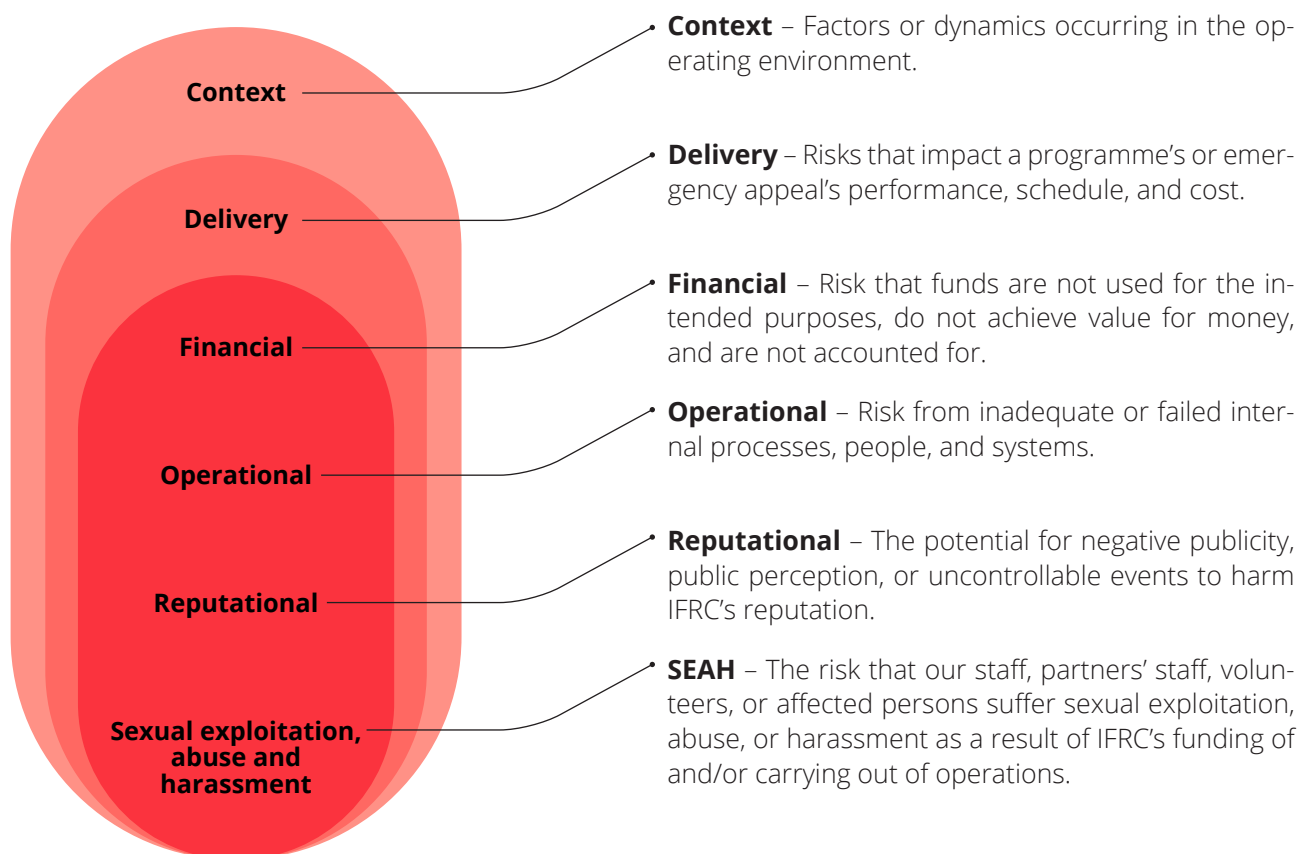
This is reflected in the categories of risk identified in the team's audit work, with an increase in the operational and financial risks identified during testing.

This is partially due to the 2021 audit plan placing greater focus on corporate risk areas, and corporate risk within country delegations, which is where much of this risk is managed. The OIAI has assessed, however, that while 2021 audit work identified less delivery risks, the IFRC's ability to deliver will remain a significant risk area if the operational and financial risks are not addressed.

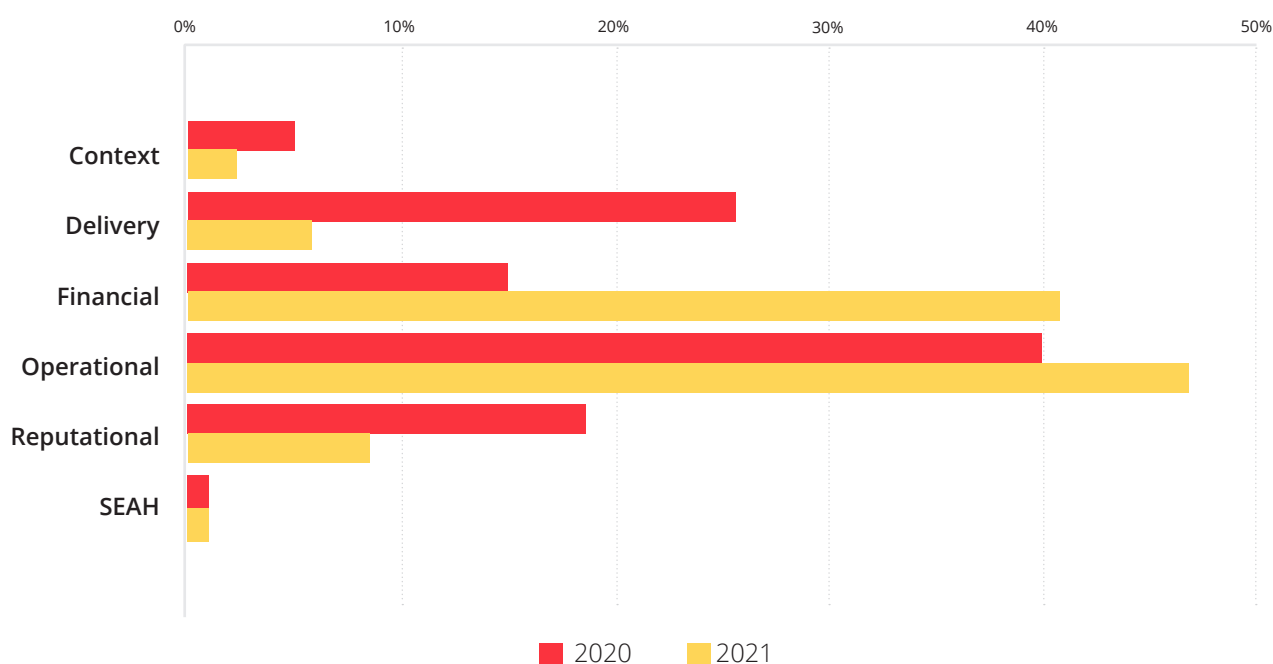
The OIAI is supportive of this enhancement work and, in 2021, allocated additional consultancy support to allow teams across the IFRC to benefit from the OIAI's risk management and control expertise. During 2022, the audit team will review and assess the effectiveness of these control improvements.



**Figure 3: IFRC Risk Categories**



**Figure 4: Breakdown of Risk Categories in 2020 and 2021**



### **3.7. 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 in the OIAI's previous audit work. This assessment is performed at the end of June and December of each year. Most of the outstanding risks are awaiting the planned enhancement of the IFRC's corporate control framework to support their mitigation. Moving forward, the OIAI has, with the support of the ARC, allocated additional resources to enhance the risk follow up process to further support the efficient management of outstanding risks.



*Mariia is one of the first Ukrainian refugees to receive cash relief in Poland. Her story is typical, Mariia left her hometown to seek safety in Poland.*

*© IFRC. Photo by Carina Wint*



# INVESTIGATION SUMMARY

## 4.1. Introduction

The OIAI's investigations section provides an independent and objective fraud, sexual exploitation and abuse (SEA), Sexual Harrasment (SH), and misconduct investigation service. In this, it has a delivery function, but 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 hosts 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 2021, the OIAI received 191 complaints, an increase of 56 complaints compared to 2020, and the largest jump in reported cases since 2018. This continues the overall trend of complaint numbers increasing every year. Complaints are reported to the OIAI by mail, email, telephone, and personal interactions. Most allegations (approximately 60%) are received through the IFRC's new whistleblowing hotline Integrity Line.

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, it's employees and membership having increased awareness of acceptable conduct and available channels for reporting alleged misconduct, alongside the continued enhancement of reporting mechanisms, which included the launch of Integrity Line in April 2021.

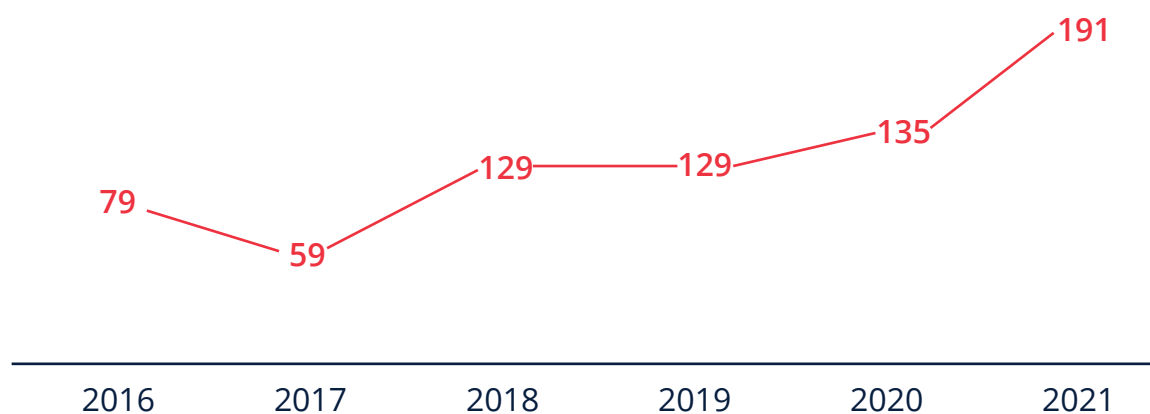
Through the successful regionalisation and expansion of OIAI's investigation function, the department has evolved to meet the growing needs of organisation, with no additional costs to IFRC.

With the IFRC's ongoing focus on awareness raising and building fraud prevention capacity across our membership we expect the number of allocations and cases reported to IFRC to continue to grow.

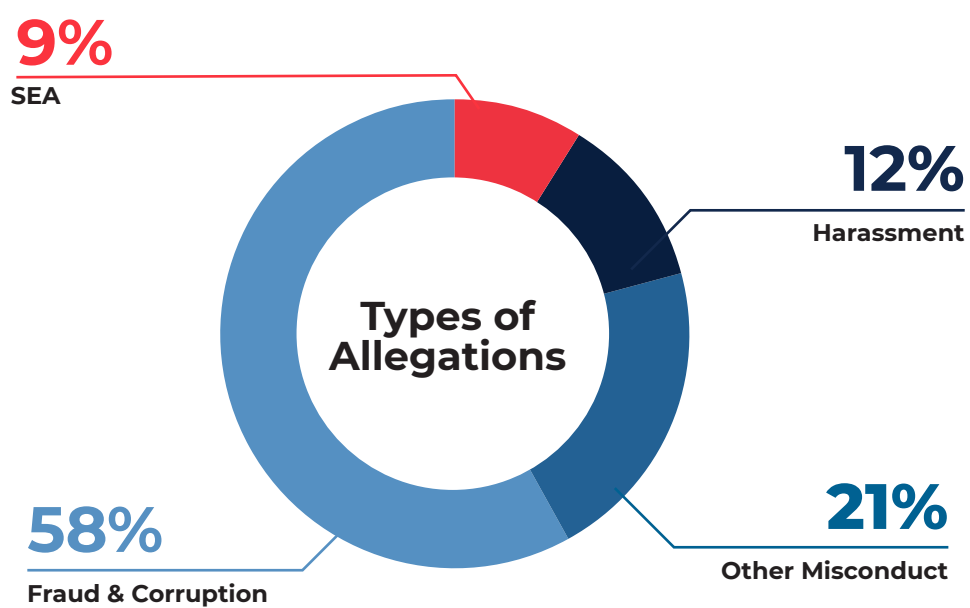
The makeup of complaints for 2021 remains broadly consistent with previous years. Most cases related to fraud and corruption (58 per cent), followed by other misconduct, which are predominantly HR related cases (26 per cent). HR cases mainly relate to allegations of bullying, discrimination, and managerial disputes . Nine per cent of complaints related to SEA, a slight increase from 2020, and a further 12 per cent related to harassment (which included both sexual and nonsexual harassment). Of the harassment, cases three percent related to sexual harassment.

OIAI has continued to refine and enhance its SEA and SH investigations capacity. The OIAI has embedded SEA and SH investigations capacity into our own team and make use of outsourcing contracts. The development of PSEA skills within OIAI has allowed the team to provided SEAH prevention training both internally and across IFRC's membership.

**Figure 5: Number of Allegations OIAI Received**



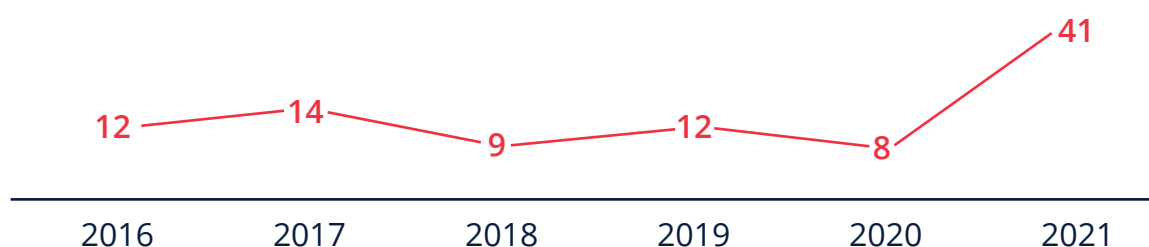
**Figure 6: Type of allegations OIAI received in 2021**



### 4.3. Investigations

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, 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 2021, 30 per cent of allegations led to a full investigation and, a 20 per cent increase from previous years.

**Figure 5: Number of Investigations OIAI closed**



During 2021 the OIAI closed 41 cases, a 400 per cent increase in case closures and the highest case closure rate since the investigation unit was formed. 25 closed cases related to fraud and corruption, nine related to sexual abuse and exploitation, two related to sexual harassment and five related to harassment. The team's ability to close cases and investigate more quickly can be attributed to the better allocation of regional investigations resources and the development of enhanced co-sourcing with regional investigations suppliers.

25 of the investigations closed led to full or partial substantiation of the allegations made, with disciplinary action being taken by IFRC management in all cases.

### 4.4. Stakeholder reporting

The OIAI investigations 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 2021 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.

### 4.5. Preventing Fraud and SEAH in Humanitarian Operations

During 2021, the OIAI investigations team will continue to refine its approach to both investigations and case management. The IFRC's new reporting system "Integrity Line" went live in April 2021. The system was designed to receive all types of complaints. The systems receive all types of complaints and aims to encourage anyone who experienced, witnessed, or suspects misconduct or incidents to speak up, it applies to not only employees but also beneficiaries, partners, volunteers and vendors. Who can report online on <https://ifrc.integrityline.org>, send an email to [speakup@ifrc.integrityline.org](mailto:speakup@ifrc.integrityline.org) or call (0800 437272 for Switzerland).

The OIAI is now, with the financial support of several donors, in the process of supporting IFRC's membership (on a voluntary basis) to deploy and implement Integrity Line, to enhance whistleblowing capacity across the Movement. Our aim is to have Integrity Line deployed in 60 National Societies by 2023. As of 31 December 2021, 22 National Societies have expressed interest in implementing Integrity Line. Nine are currently testing

the system and one is in configuration. The Nigerian Red Cross was the first National Society to go live with Integrity Line.

The OIAI plays a constant role in raising awareness on fraud and corruption. As part of this agenda, the OIAI organised and hosted, the 5th edition of our global conference on "Preventing Corruption in Humanitarian Operations" from the 16 to the 18 of November 2021. The conference took place during the ACFE Fraud Awareness Week and was held virtually.

The event gathered 17 experts around three main topics: Legal; Fraud; and Sexual Exploitation, Abuse, and harassment, and was attended by over 600 people from around the globe.

In recognition of International Anti-Corruption Day, the 2022 Preventing Corruption in Humanitarian Operations conference will be held between the 7 and 9 December.





*"In this difficult time when nothing makes sense, in a time grief and horror when you don't know what tomorrow brings. The kindest deed we've experienced is being here at the centre. We are so very grateful to be here" Ukrainian refugees Valentyna and her daughter Natasha-Natalya currently live at a Polish Red Cross lodge close to Krakow.*

© IFRC. photo by Carina Wint



# 1. 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 2022)

### 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)<sup>1</sup>;
- 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 processes<sup>2</sup>.

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.

<sup>1</sup> To ensure independence "management of risk" does not include management of operational functions or responsibility for the delivery of risk management.

<sup>2</sup> 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.

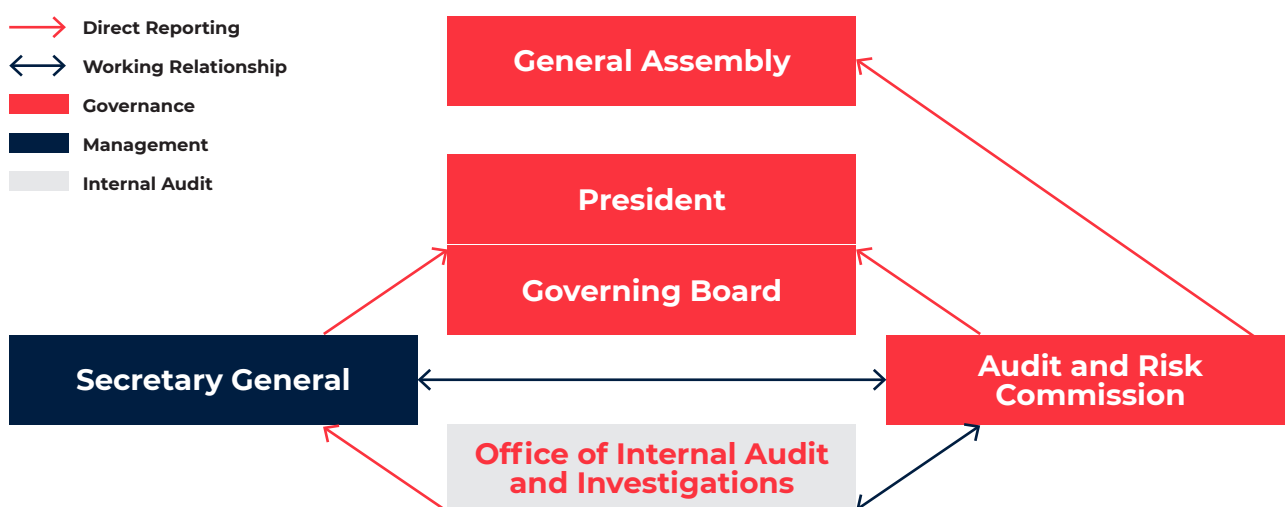
## Independence

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 ARC<sup>3</sup>. 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:



<sup>3</sup> 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 SEAH<sup>1</sup> 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 OIAI 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.

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<sup>1</sup> Sexual exploitation, abuse, and harassment

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Approved by:



**Jagan Chapagain**

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





*"My home was severely destroyed by the floods and my husband hurt his leg. First I thought it was just regular rain, until I realized this was a catastrophe. I was very frightend, not everyone was as lucky, our neighbours lost a mother and son." Amelia Jose Alberto, 28, Lurdes Mussa, 5. Amelia lives by Beira in Mozambique.*

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**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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