International Federation
of Red Cross and Red Crescent Societies

**OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS**

**INTERNAL AUDIT OF THE
AFRICA REGIONAL OFFICE & NAIROBI CLUSTER OFFICE
REPORT NO. IA-2016-02**

AUDIT PERFORMED: MARCH – APRIL 2016

REPORT DATE: JULY 2016

TABLE OF CONTENTS

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

PART I   INTRODUCTION & EXECUTIVE SUMMARY

1.   BACKGROUND AND CONTEXT

The Africa regional office of the International Federation of Red Cross and Red Crescent Societies (IFRC) is located in Nairobi City, Kenya. The office provides leadership, quality assurance, accountability and technical support to seven country teams and six multi country cluster teams in order to provide programme and emergency response support to vulnerable communities in 49 countries in sub Saharan Africa. IFRC long term development programmes in Africa total ~50 million Swiss francs with 80% of the programming focusing on health, disaster risk reduction and livelihoods.

Nairobi also hosts the Nairobi country cluster office which oversees twelve National Societies. As part of its 2016 operational plan, the Nairobi country cluster office is working towards disaster risk reduction, livelihoods, health, WATSAN and promoting a culture of non-violence and peace within the countries it oversees.

As at the audit, the Africa regional office together with the Nairobi country cluster office employed a total of 43 national staff and 24 international staff, and in its operational plan, it had a 2016 budget of ~47.5 million Swiss francs for the regional office and ~8.9 million Swiss francs for the cluster office.

The last internal audit of the offices was performed by the Office of Internal Audit and Investigations (OIAI) in October 2014. This internal audit was performed between March and April 2016.

2.   OBJECTIVE OF THE AUDIT

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

This is achieved by focusing on the following:

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

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

c) *Asset safeguarding:* To appraise the safeguarding of assets which includes human resources, financial, equipment, as well as reputation and branding;

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

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

3.   SCOPE AND METHODOLOGY

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

A)   *Oversight and Risk management*

- Risk management, including the process to identify, assess and manage risk.
- Coordination and organization of work, including communication.
- Legal risk management including contracts management, and integration agreements with Partner National Societies.

B) *Programme and Partnerships management*

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

C) *Operations management*

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

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

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

4. AFRICA REGION - SUMMARY OF KEY FINDINGS AND MANAGEMENT ACTION PLAN

Number of agreed action points by section/priority*

AFRICA REGION			
	Agreed Action Points		
SECTION	**High Priority**	**Medium Priority**	**Low Priority**
OVERSIGHT AND RISK MANAGEMENT	**3**	**3**	**-**
A1 Risk management, oversight and monitoring	2	1	-
A2 Organisation, coordination and communication	-	2	-
A3 Legal and supplementary services	1	-	-
PROGRAMME AND PARTNERSHIPS MANAGEMENT	**2**	**3**	**-**
B1 Programming, planning, monitoring, evaluation, and reporting	-	2	-
B2 Partnership and resource development (PRD)	-	1	-
B3 Logistics, procurement and fleet	1	-	-
B4 Security	1	-	-
OPERATIONS SUPPORT	**6**	**5**	
C1 Finance	1	-	-
C2 Human resources	5	4	-
C3 Information systems	-	1	-
TOTAL AUDIT AGREED ACTION POINTS	**11**	**11**	**-**

*The various priority levels are defined in Annex 1.

Improvement areas

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

	Audit objectives	**High Priority**	**Medium Priority**	**Low Priority**
a)	Effectiveness	3	6	-
b)	Efficiency	-	-	-
c)	Asset Safeguarding	8	5	-
d)	Reporting	-	-	-
Total		**11**	**11**	**-**

In relation to the audit objective of compliance, 12 of the above observations/action points were caused in part by compliance related matters.

A summary of the high priority (and other important medium priority) risks by audit objective is as follows:

Effectiveness

There are three high priority management action points (#1, #2, #13) with a primary risk related to effectiveness. To improve effectiveness, the office should:

• *Improve risk management awareness, undertake risk assessments of all key projects and initiatives being undertaken by the region, prepare a lessons learnt document on Ebola, regularly update the risk register and action plans, and conduct a risk assessment on the risks involved in the relocation and restructuring (Agreed action point #1).*

- *Ensure all audit recommendations are implemented in a timely manner, and accurate status reports are shared by the various cluster/country heads (Agreed action point #2).*

- *Strengthen the human resource oversight role within the regional office. This should include: fast tracking the recruitment of the regional human resource manager; performing a national staff salary benchmarking; and implementing all outstanding human resource audit recommendations (Agreed action point #13).*

Efficiency

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

Asset Safeguarding

There are eight high priority management action points (#6, #10, #11, #12, #14, #16, #17, #18) with a primary risk related to asset safeguarding. To improve asset safeguarding, the office should:

- *Establish a system for identifying procurement above CHF50,000, and any procurement which is above CHF50,000 which had not been referred to RLU for technical review, should be reported to the Regional Director, and proactively manage procurement risks associated with the National Societies undertaking local procurement (Agreed action point #10).*

- *Establish a security system that ensures: a mapping of all IFRC staff in the region including staff deployed to countries where there are no IFRC offices; a system of tracking staff movement across the region, and a mapping of all integration agreements in the region is conducted (and IFRC security obligations to PNS) (Agreed action point #11)*

- *Strengthen he finance analysts` role of control oversight by: ensuring competent finance staff are recruited in the various offices in the region, the RFU should give technical input on objectives and performance appraisals of finance staff, reviewing the reporting structure to ensure accountability of finance officers/budget holders/Heads of office, and assessing if additional resources should be provided to the RFU team to enable them to perform the extra administration responsibilities (Agreed action point #12).*

- *Ensure that the IFRC consultancy procedures are complied with and consultancy management systems are in place (Agreed action point #14).*

- *Strengthen the payroll management system including: payroll access controls, signing a service level agreement (SLA) between IFRC and the payroll software vendor, training an extra staff member within human resources on the use of the payroll to act as backup (Agreed action point #16).*

- *Ensure that personnel files are updated and information filed appropriately (Agreed action point #18).*

- *Agreed action points #6 and #17 were also identified as high priority and were reported to management separately.*

Reporting

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

**International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations**

**Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016**

5.   NAIROBI CLUSTER – SUMMARY OF KEY FINDINGS AND MANAGEMENT ACTION PLAN

Number of agreed action points by section/priority*

NAIROBI COUNTRY CLUSTER			
SECTION	**Agreed Action Points**		
	High Priority	**Medium Priority**	**Low Priority**
OVERSIGHT AND RISK MANAGEMENT	**4**	**-**	**-**
A1 Risk management, oversight and monitoring	1	-	-
A2 Legal & supplementary services	3	-	-
PROGRAMME AND PARTNERSHIPS MANAGEMENT	**1**	**2**	**-**
B1 Logistics, procurement and fleet	-	2	-
B2 Security	1	-	-
OPERATIONS SUPPORT	**3**	**4**	**2**
C1 Finance	2	1	1
C2 Administration	1	-	1
C3 Assets and inventory	-	1	-
C4 Information systems	-	2	-
TOTAL AUDIT AGREED ACTION POINTS	**8**	**6**	**2**

  *The various priority levels are defined in Annex 1.

Improvement areas

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

	Audit objectives	**High Priority**	**Medium Priority**	**Low Priority**
a)	Effectiveness	1	1	-
b)	Efficiency	-	-	-
c)	Asset Safeguarding	6	4	2
d)	Reporting	1	1	-
Total		**8**	**6**	**2**

In relation to the audit objective of compliance, 11 of the above observations/action points were caused in part by compliance related matters.

A summary of the high priority (and other important medium priority) risks by audit objective is as follows:

Effectiveness

There is one high priority management action point (#1) with a primary risk related to effectiveness. To improve effectiveness, the office should:

• *Develop a risk management culture and process to ensure that risks are timely identified, assessed, mitigated and managed. This should include: improving risk management awareness and risk assessments of all key projects and initiatives being undertaken in the cluster (Agreed action point #1).*

Efficiency

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

Asset Safeguarding

There are six high priority management action points (#2, #3, #4, #7, #11, #13) with a primary risk related to asset safeguarding. To improve asset safeguarding, the office should:

• *Develop a robust contract management system. This should include: the establishment of a consolidated and up to date contract database, a reconciliation between the administration/procurement contract database with the contract file, ensuring that the contract approval sign off sheet is used, and ensuring that all program related agreements and contracts are filed together with all related attachments (Agreed action point #2).*

• *Establish a security system that ensures Minimum Security Requirements (MSR) are complied with for staff operating under the IFRC security framework (Agreed action point #7).*

• *Conduct a complete review and comparison between the finance and procurement files and identify instances where the complete set of original documents is missing. All original procurement documents should be traced and put on file (Agreed action point #11).*

• *As part of the office cash and bank policy, establish a cash ceiling to cap any office related expenditure that is above a certain threshold, establish controls in relation to cash payments through working advance (Agreed action point 13).*

• *Agreed action points #3 and #4 were also identified as high priority recommendations and were reported to management separately.*

Reporting

There is one high priority management action point (#8) with a primary risk related to reporting. To improve reporting, the office should:

• *Establish effective management and controls relating to Working Advances. This should include: clearing all outstanding working advance balances and a plan of action is developed to recover long outstanding working advances, a monthly aged analysis of working advance is prepared, effective controls are established to ensure that working advance is not issued to staff, National Society or third parties who have dormant or long outstanding working advance balances, a risk based approach to management of working advance to National Societies is adopted (Agreed action point #8).*

PART II DETAILED OBSERVATIONS & MANAGEMENT ACTION PLAN – AFRICA REGION

NO. IA-2016-02

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

SECTION A – OVERSIGHT AND RISK MANAGEMENT

Good practices
✓ The regional office through the regional finance unit (RFU) has established a systematic manner of consolidating the status of audit findings recommendations from the whole region.

A1	RISK MANAGEMENT, OVERSIGHT AND MONITORING

A1.1   Risk management

Risk based approach

Although risk management is assessed on an ad-hoc basis, a risk management culture has not yet been embedded. As a result, risks within the region are not being addressed in a formal and structured manner, nor does management hold discussions on major risks in significant decision making processes. There are a number of key areas/processes that could have benefited from a more thorough risk assessment and risk management process. These include the: Ebola operations and major projects; restructuring and change management process; and the closure and relocation of offices process. In these cases, there were risks which materialised which impacted operations.

Risk register

Although a risk register for the region was developed in 2013, the register has not been reviewed or updated. A review of the 2013 risk register noted that a number of risks have not been appropriately mitigated. Certain risks which materialised in 2015 were identified in the risk register, and there was no regular monitoring or follow up on the action plan to ensure that the risks were adequately addressed.

The 2016 Operational plan for Africa identified fourteen programme related risks. A review of these risks noted that the document did not identify the risk owner for each risk, there were no timelines within which the risks would be addressed and closed, and an overall rating for each risk based on the impact and probability had not been done.

Agreed Action 1:

The Office agreed to develop a risk management process to ensure that risks are timely identified, assessed, mitigated and managed. This should include:

a) Improving risk management awareness by conducting a risk management training and workshop for all senior management team (SMT), Heads of unit and staff in key functions.

b) Risk assessments of all key projects and initiatives being undertaken by the region are proactively done to identify risks and develop action plans for mitigating the risks.

c) A lessons learnt document on Ebola is prepared, indicating what went well, what went wrong, challenges and risks faced within the operation. The document should be used as a management tool to enhance discussions on how to deal with similar situations in the future.

d) Every quarter, an update of the risk register and action plans is done include monitoring the implementation of action plans.

e) As part of the regional oversight role over the closure and relocation of offices, a risk assessment is conducted on the risks involved in the relocations and restructuring, including action plans to mitigate the risks and monitoring to ensure the risks are appropriately managed.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

A1.2   Implementation of previous audit findings

The Regional Finance Unit (RFU) proactively follows up on the implementation of audit findings within the region and reports the status of implementation to the Regional Director and the OIAI on a regular basis.   This was noted as a good practice. The RFU relies on management in the region and the various offices to give them accurate feedback on the status of implementation.   As per the January 2016 status report, there were a total of twenty audit recommendations yet to be implemented.

During the audit, it was noted that some audit recommendations indicated as implemented, had not in fact been fully implemented.

Agreed Action 2:

The Office agreed to ensure all audit recommendations are implemented in a timely manner, and accurate status reports are shared by the various cluster/country heads. This should include:

a)   Continuous follow up to ensure that all audit recommendations have been fully implemented. For delayed implementation, a justification is shared with the Director on the cause of the delay.

b)   Cluster heads and country office heads are made responsible for the status of implementation of the audit recommendations.

c)   Accurate status implementation is provided to the RFU for consolidation. Recommendations which are not fully implemented should be documented as partially implemented and not as done.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

A1.3   Governance and oversight

Results based management

It was noted that the various departments have created departmental plans for 2016. In addition, certain departments have established measurable key performance indicators (KPIs), some of which have been developed on a global basis. However, it was noted that:

a)   Not all departments have translated the departmental plans and objectives into measurable KPIs which can be used to measure outcomes, efficiency, and to track and monitor results and performance across the region;

b)   Although Heads of unit meetings are held on a regular basis, a review of the meetings indicated that Heads of unit do not consistently report and discuss their departmental KPIs.

Agreed Action 3:

The Office agreed to establish an oversight, monitoring and follow-up system to ensure that management decisions are implemented and outcomes are achieved. This should include:

a)   Ensuring all Heads of units have translated their 2016 departmental plans and objectives into measurable KPIs/ performance metrics which can be monitored.

b)   KPIs are reported and discussed in Heads of unit meetings on a monthly basis.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

A2	ORGANISATION, COORDINATION AND COMMUNICATION

A2.1   Organisational development

National Society capacity development

One of the principle priorities of the IFRC secretariat is to build stronger National Societies. A discussion with management indicated that most Heads of unit have in their plans various activities to perform National Society capacity development. It was noted that some of the activities were not based on any formal capacity assessment done. There is also no coordinated and consolidated National Society capacity development plan formulated to enhance an overall approach and take advantage of synergies between departments.

Agreed Action 4:

The Office agreed to develop a coordinated and consolidated approach to National Society capacity development. This should include:

a)   Documenting the various departmental National Society capacity development activities for 2016 and identifying opportunities for departmental synergies.

b)   Ensuring that National Society capacity development initiatives are based on a formal capacity assessment.

c)   Identifying a focal point to coordinate National Society capacity development initiatives within the region.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

A2.2   Communication

Communication resources

The costs associated with communication activities have been difficult to fund. To obtain pledges and contributions only for communication is challenging and in practice, such costs have not been embedded into programs. The integration of communication related costs into proposals is not done systematically and as a result, there are inadequate resources to manage communication in the region. The communication department has two human resources for the whole region which makes it difficult to fully implement the communication plan and to provide adequate communication support to the program teams and to emergencies.

French translation

French is one of the predominantly spoken languages in Africa. However, there are no formal arrangements for the translation of reports, policies, procedures, digital media and various documents into French.

Agreed Action 5:

The Office agreed to the following:

a)   With the assistance of the resource development and partnerships management department, a formally established funding plan for communication is established identifying potential gaps and seeking potential donors.

b)   Continuous engagement with programs and resource development at the proposal development stage, to ensure the integration of communication related activities and costs.

c)   French translation of key documents is done for French speaking countries.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

A3	LEGAL AND SUPPLEMENTARY SERVICES

A3.1   Regional legal management

The audit reviewed the legal management processes. A number of performance improvement recommendations were made which are reported separately to management

---

Agreed Action 6:

As per A3.1 above.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

SECTION B – PROGRAMME AND PARTNERSHIPS MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING

B1.1   Programme management

Report management

It was noted that there are instances when reports are late for submission and the region is required to ask for donor extensions at the last minute. This could impact donor relations as well as the reputation of the organisation.

Mobile data analysis

The region is using mobile phones to collect data for monitoring and evaluation (M&E) purposes mainly through the use of technology (ODK or RAMP). This has greatly improved M&E activities in the region, especially to obtain data from areas within Africa which are not easily accessible. However, it was noted that comprehensive training has not been conducted on data analysis to enable optimum use of the data collected.

Operations steering group

A terms of reference for an operations steering group was developed by the disaster management (DM) department but at the time of audit, it had not been approved by the Regional Director. The purpose of the operations steering group is to ensure coordination between the department so that key challenges are identified and addressed.

Standard operating procedures (SoPs) for emergencies

A Standard Operating Procedure (SoP) for disaster management/response has been established by the regional office. The SoPs state that support services should support an international operation and should link to each of the departments SoPs. However, it was noted that none of the critical support functions during an emergency (finance, human resource, resource mobilisation, logistics, communication and PMER) have developed emergency response guidelines for their departments. In addition, the Regional Disaster Response Teams (RDRT) roster for the region does not include support function staff such as finance, logistics, communication, human resource, resource mobilisation.

Agreed Action 7:

The Office agreed to the following:

a) Formal and systematic coordination between PRD, PMER and Finance is established to ensure that request for extensions for submission of reports is done earlier in the month.

b) Training on data analysis is done for the programs which are relying on the mobile phone platforms for data collection.

c) The terms of reference for the operations steering group are approved by the Regional Director and it becomes fully operational.

d) Support functions create SoPs for emergency response that can be consolidated together with the DM SoPs. A support service staff roster for the region should be developed where each support function has a list of staff that can be quickly deployed in case of an emergency.

e) Following the finalisation of the global SoPs for emergency response, the region should undertake an exercise to synchronise the regional SoPs with the global SoPs.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

B1.2   Cash based/ transfer programming

A number of cash based programs are being undertaken in the region. In August and September 2015, the IFRC issued new procedures regarding cash based programming. These procedures include the Cash Based Programming financial procedures/guidance, and the Cash Based Programming SoPs. The procedures require that all cash transfers should be a coordinated effort between programs, logistics, finance and security, and that certain minimum finance and cash controls should be put into place to safeguard the cash. A rollout of the cash based procedures has not been undertaken across all cash programs in the region.

Agreed Action 8:

The Office agreed to a mapping of all the cash based/transfer programs in the region and an analysis undertaken if all the programs have implemented the IFRC cash procedures. Any gaps noted should be documented with action plans and follow up done to ensure implementation.

Manager responsible for the action: Director of Region

Due Date: December 2016

 Priority Rating: Medium

B2	PARTNERSHIP AND RESOURCE DEVELOPMENT

B2.1   Resource development

Funding proposal's review

The proposals submitted to donors are supposed to be technically reviewed by the PRD and the PMER units. However, that has not always been the case, or the time provided for such review is not always adequate. There have been instances where proposals have been sent to donors or Geneva without input from PRD.

Resource development capacity

The 2016 budget for the region is ~CHF47.5 million and as at quarter one, only 21% of the budget had been funded. The following was noted during the audit:

- There is a lack of adequate PRD resources in the region. For example, in two country clusters there are no dedicated PRD staff.

- The PRD officers based in some locations had limited previous experience in resource development prior to taking up their roles, reducing their effectiveness.

- The PRD coordinator is not involved in providing technical input in the performance management of the PRD officers within the region. Therefore, key performance indicators related to the department have not been incorporated into the objectives of the officers to enable tracking and follow up.

- Coordination meetings between programmes and the PRD unit have not been formally established and therefore, issues relating to resource development or pledge management, when identified, are resolved and addressed on an ad-hoc basis and not systematically.

- For purposes of lessons learnt, in instances where donors reject funding, formal communication to senior management on the reasons why funding was rejected including a recommendation on the way forward is not yet developed.

Agreed Action 9:

The Office agreed to the following:

a)   Technical and quality review of funding proposals is performed by the PMER and the PRD departments. Sufficient time to perform such reviews should be planned ahead. Furthermore, an internal technical/quality review SoP should be established to ensure there is a common understanding of the scope and objectives of such reviews.

b)   A human resource needs assessment is conducted by the PRD coordinator, and proposed for review by senior management.

c)   The PRD coordinator should be involved in setting the objectives for the PRD officers across the region. Any knowledge gaps with staff are identified and a learning and development program is developed.

d)   Monthly coordination meetings between programmes and the PRD unit should be held to ensure issues relating to resource development and pledge management are systematically discussed.

e)   The PRD unit should develop and communicate lessons learnt notes for proposals rejected by donors and share this with management.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

B3	LOGISTICS, PROCUREMENT AND FLEET

B3.1   Regional procurement oversight role

Procurement monitoring

The IFRC procurement manual requires that for certain procurement (e.g. above CHF 50,000), offices should send a copy of the procurement file to the regional logistics unit (RLU) or global logistics unit (GLU) for review. However, there is no systematic process to ensure that all procurement above CHF 50,000 are identified, accounted for and are compliant with IFRC procedures.

National Society procurement under Disaster Relief Emergency Fund (DREF)

The IFRC DREF procedures provide that in the case of DREFs, the National Society can carry out local procurement following the National Society`s procurement procedures. Further, guidelines from the Geneva secretariat in August 2015 clarified that before local procurement, there should be an assessment of the capacity of the National Society to manage the process. However, it was noted that due to lack of resources, the RLU has not been able to implement a systematic capacity review and enhancement program to ensure that a National Society has the capacity to handle procurement before a DREF is issued.

Agreed Action 10:

The Office agreed to the following:

a)   The RLU in coordination with the RFU should establish a system for identifying procurement requiring RLU/GLU validation.

b)   Any procurement which is above CHF50,000 (or otherwise requiring RLU validation) which are identified by the RFU and had not been referred to RLU for technical review, should be reported to the Regional Director for appropriate action for non-compliance.

c)   Proactively manage procurement risks associated with the National Societies undertaking local procurement (e.g. through systematic reviewing of the National Society procurement capacity before approval to procure is granted).

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

B4	SECURITY

B4.1   Security Framework

Africa staff mapping

The security function does not receive an updated list of staff in the various offices within Africa. For example, although Africa has thirteen IFRC offices, there are also IFRC staff located in other countries where the IFRC does not have any office. Such staff are still under the IFRC security umbrella. In addition, there is no systematic way of tracking staff movement across the region which makes it difficult for the security function to know where staff are at any given point in time.

The IFRC has also signed integration agreements with various partner National Societies (PNS) across the region. As part of the agreements, IFRC has a responsibility in regards to security towards the PNS. A mapping of the integration agreements and IFRC security obligations has not been conducted.

Agreed Action 11:

The Office agreed to establish a security system that ensures the following:

a) In conjunction with the human resources department, a mapping of all IFRC staff in the region is done including staff deployed to countries where there are no IFRC offices. Weekly updates of a staff list in the various countries in Africa is shared with security.

b) A system of tracking staff movement is established across the region. The implementation of a web based system to facilitate security clearance and monitoring of staff movements should be explored including the possibility of using an automated travel request system which allows security clearance and a tracking of staff across the region.

c) A mapping of all integration agreements in the region is conducted (and IFRC security obligations to PNS).

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

SECTION C – OPERATIONS SUPPORT

C1	FINANCE

C1.1   Regional finance unit (RFU) oversight role and structure

Oversight role of the RFU

The Regional finance unit (through the finance analysts) performs financial control oversight and monitoring within Africa. The unit acts as the second line of defence to ensure compliance and critical controls have been put into place by management to better manage risks within the various offices. The following was noted during the audit and need to be addressed:

- Due to lack of competent finance staff in the region, the finance analysts often take up the role of finance officers/budget holders which takes up time and they are unable to fully concentrate on their key role of control reviews.

- The current reporting structure does not enable full follow up of identified control gaps by the analysts. There are cases where control gaps are identified but despite constant follow up, no response is obtained from the finance officers /budget holders/Heads of office.

- As part of the restructuring process, the RFU has been mandated with administration duties within Africa but upon analysis of the proposed RFU structure, no additional resources have been identified to assist the unit in taking up the additional responsibilities.

- The RFU does not give technical input in the setting of objectives and performance appraisals of finance staff in the region. Hence, the appraisal of finance staff from a technical competence point of view, is not undertaken which may create gaps in finance management within the region.

Agreed Action 12:

The Office agreed to strengthen the finance analysts` role of control oversight by:

a) Ensuring competent finance staff are recruited in the various offices in the region therefore giving finance analysts time to perform their control function as opposed to taking up finance officer roles.

b) The RFU should give technical input on objectives and performance appraisals of finance staff to enable any technical weaknesses to be identified and addressed.

c) The reporting structure should be reviewed to ensure accountability of finance officers/budget holders/Heads of office. Any lack of response on finance gaps identified by RFU should be escalated to the Regional Director and appropriate action taken.

d) Assessing if additional resources should be provided to the RFU team to enable them to perform the extra administration responsibilities.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C2	HUMAN RESOURCES

C2.1   Human resources oversight role

Human resource manager

The Africa regional office does not have a human resource manager. The human resource manager left in June 2015 and has not been replaced. Although the post has been advertised, it has taken a long time to be filled. Two candidates identified for the position were offered the position but rejected the offer.

Implementation of audit findings

There are recommendations from previous internal audit reports that have not been implemented. These include:

- Approval and roll out of the national staff regulations for the Nairobi office.

- A policy/procedure for salary increments is developed and a section is included on cost of living allowance (COLA) adjustments.

- The E learning database extract is obtained on a six monthly basis to review the status of compulsory training/performance appraisals/staff objectives, and appropriate action taken.

- Steps taken to ensure that standard human resource tools/templates are utilised throughout the region. Although this finding was indicated as having been implemented, audits conducted in 2015 in the various IFRC offices within Africa did not find that this has been put into place.

- Key performance indicators (KPIs) to be established for human resources, and are reported to management on a regular basis. This recommendation had been reported as implemented by the office.

- Quality checks performed on recruitment files to ensure that the recruitment file reflects the decision being made. This recommendation had been reported as implemented by the office.

Agreed Action 13:

The Office agreed to strengthen the human resource oversight role within the regional office. This should include:

a) Fast tracking the recruitment of the regional human resource manager.

b) A national staff salary survey benchmarking with similar organisations is conducted to enable management to understand if the IFRC is offering competitive packages that can attract and retain talented staff.

c) Implementing all outstanding human resource audit recommendations. This should include regular follow up by the human resources unit (regional office) to ensure that all outstanding human resource audit findings are implemented.   Only fully implemented audit findings should be reported as implemented. Delays in implementation of audit findings should be justified and approved by the Regional Director.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C2.2   Consultancies

Consultancy Management

An analysis of expenditure incurred on consultants and professional fees within the Africa regional office and Nairobi cluster office indicated that between the year 2014/2015, there was a total increase in expenditure within this line by 1487% with consultancy costs increasing by 8665%. A sample test of consultants engaged by the office in 2015 was conducted and the following was noted:

- Various sections in the IFRC consultancy procedures are not being complied with relating to: establishing terms of reference, competitive bidding, consultants engaged who were previous employees, previous interns engaged

as consultants, approval of consultant invoices, supporting documentation for payment of consultants, consultancy assessments, fee structures and security briefings.

- There were incomplete contracts on some of the consultant's files. In four of the files reviewed, the contract on file was only signed by the human resources unit and not by the consultant.

- Withholding tax (WHT) procedures for consultancies not being consistently applied.

Agreed Action 14:

The Office agreed that the IFRC consultancy procedures should be complied with to ensure effective consultant management controls are in place.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C2.3   Code of Conduct

Code of Conduct (COC) and/or incident reporting

There is no established process to ensure that all CoC incidents (or potential incidents) happening in the region are reported to the regional office. The human resources unit keeps a "green" file that is meant to record all CoC incidents (or potential incidents) within the region. A review of the green file indicated that the last CoC case that was recorded was in 2013 however, there have been recent CoC incidents that have occurred within the region but have not been recorded.

Refresher Trainings

Upon joining the Regional office, all staff are required to sign the Code of Conduct (CoC) and the IT Acceptable Use Policy. There is no evidence that the IFRC Fraud and Corruption Prevention Policy is communicated to new staff when they join. In addition, no refresher courses have been conducted to raise awareness among staff on key policies such as the Code of Conduct, Fraud and Corruption Prevention Policy, and the Child Protection Policy.

Agreed Action 15:

The Office agreed to the following:

a) The Regional human resources unit (in coordination with senior management) develops a process to ensure that all CoC incidents within the Africa cluster and country offices are reported and documented.

b) The human resources unit should identify key IFRC trainings that require refresher courses and develop a training program for them.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

C2.4   Salary and payroll management

Salary benchmarking

No salary survey has been conducted to benchmark the salaries and benefits paid to national staff with similar organisations in the country. It is not clear on what basis the current salary grading was done, and salaries have not been harmonised based on roles, responsibilities and regional coverage.

Payroll system access controls

It was noted that segregation of duties has not been established in regard to the payroll software. The three individuals who have access to the payroll software (Chief Accountant, the human resources officer and the senior finance officer) have full control and access rights.

Payroll vendor service level agreement (SLA)

Maintenance and troubleshooting of the payroll software is being handled by its supplier, however no service level agreement exists between the IFRC and the payroll vendor.

Payroll software usage

Currently only one staff in the human resources unit has knowledge on how to use the payroll system. This means should the staff member be absent, then payroll management is fully done by the finance department which creates gaps in segregation of duties.

Payroll segregation of duties

Due to lack of personnel in the human resources unit, it was noted that adequate segregation of duties in payroll management has not been established. The senior human resources officer in charge of the cluster has access to the database and is responsible for hiring, maintaining personnel records, terminating and processing the payroll for national staff.

Agreed Action 16:

The Office agreed to the following:

a) A salary and benefits benchmarking survey with similar organisations should be conducted and the current salary structure revised.

b) Payroll access controls should be put into place. Payroll software access rights should be commensurate with assigned job responsibilities. No individual should have full access rights over the whole system.

c) A service level agreement (SLA) should be signed between IFRC and the payroll software vendor clearly indicating roles and responsibilities, data privacy, confidentiality, access controls, warranty, maintenance schedules, troubleshooting arrangements and fees, software upgrades etc.

d) An extra staff member within human resources should be trained on the use of the payroll to act as backup and prevent instances where the whole payroll process is being managed by finance.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C2.5   Statutory deductions

The audit reviewed the process for making statutory deductions for national staff.   A number of performance improvement recommendations were made which are reported separately to management.

Agreed Action 17:

As per C2.5 above.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C2.6 Personnel (including recruitment) files

Staff (personnel) files

The human resource department is required to maintain a file for each staff member. The file should include all official documentation relevant to their employment with the Federation. A review of both international and national staff files noted the following:

- A staff checklist was on each file but it was not being used to ensure completeness of the file and that consistent information was being retained in the files. As a result, in the nine files reviewed, there was missing documentation and not all staff had signed the relevant documents.

- Personal data forms including contact persons in case of emergencies were not consistently maintained.

- Contract extensions were being done without any performance appraisals being conducted.

Recruitment files

In the 2014 audit, a recommendation was made to develop a quality check on recruitment files to ensure that the recruitment file reflects the decision made. This recommendation had been indicated as implemented but a review of the recruitment in the current audit revealed it had not been put into place.

Out of the twelve recruitment files reviewed it was noted that: the selection and recruitment processes are not adequately documented; the recruitment files reviewed were incomplete and the files missed critical documents relating to the recruitment process which made it difficult to retrieve all data regarding the recruitment of a particular position; the files did not contain a recruitment checklist resulting in inconsistencies in the documentation kept in each file; and in certain instances, fully funded PNS staff do not undergo the IFRC recruitment process.

Exit procedure documents

A sample of ten exits in 2015 was selected for review but no documentation was presented during the audit. Therefore, it could not be determined whether documentation relating to the exit of staff is maintained or not.

Agreed Action 18:

The Office agreed that personnel files are updated and information filed appropriately. This should include:

a) Reviewing and updating the files to ensure that they contain all required data as per the file index personnel checklist.

b) Recruitment files are organised and indexed to ensure that an audit trail is maintained for the entire recruitment process. All information regarding the interviewed candidates should be kept.

c) A recruitment file checklist is developed and kept in each recruitment file so as to ensure the completeness of the file and the consistency in documentation contained in the files.

d) Where positions are fully funded by PNS and the PNS desires to second a staff, the seconded staff should undergo a competitive interviewing process so as to ensure that the person meets the technical competencies needed for the role.

e) Documents relating to all staff exits should be retained on file to provide evidence that the clearance procedures were followed and no future legal liabilities will arise.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C2.7 Internship management

Internship programme

The internship programme procedures were established by the Geneva Secretariat in 2012. These procedures establish the rates of pay (for Geneva based interns) and require a competitive selection process. The Africa regional

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

office and the Nairobi cluster office have developed an internship policy which has not been aligned to the Geneva internship procedures in certain instances. The following control weaknesses were noted after reviewing internship management within the office:

- The internship policy is in draft form and has neither been reviewed by a local lawyer nor presented to management for approval.

- The internship policy does not allow for competitive recruitment of interns. From a review of internship files, it was noted that documentation relating to the shortlisting and selection of interns is not filed.

- The salary scale as per the draft internship policy differs to the actual payments being made.

- Some interns are referred to as advance interns. Although the Geneva policy has defined what an advance intern is, this has not been defined in the local policy.

- The finance transaction testing showed that in some instances, interns are paid their stipend in cash and it is not clear if the required deductions are being made.

- Some interns are given longer term contracts as staff or consultants after their internship contracts have come to an end.   There is no performance appraisal done before such a decision is made.   Further, the IFRC consultancy procedures state that as a general rule, interns should not be hired as consultants immediately following upon completion of their internship with IFRC.

Agreed Action 19:

The Office agreed that the following controls relating to internship should be put into place:

a)   The draft internship policy is aligned with the Geneva internship procedures and then reviewed by a local lawyer to ensure compliance with local laws. A competitive and transparent process for shortlisting and selecting interns should be put into place.

b)   The draft internship policy should be approved and implemented.

c)   Salary scales for interns should be harmonised and a clear definition on who is an advanced intern is documented in the policy.

d)   Payment of interns should not be made in cash and the appropriate deductions are made.

e)   Interns should not be given consultancy contracts as per the IFRC consultancy guidelines.

f)   Before an intern is given a longer term contract, a performance appraisal should be conducted and the position should be advertised to enable competitive selection.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

C2.8   Personnel data retention

HR files document archiving

The audit noted that:

- There is no system in place to ensure that personnel data is archived and maintained as per the IFRC policy on document retention.

- There is no process to ensure that personnel data for staff in the field within the region is also properly archived for future references. For example, a request was done for IFRC contracted local staff in Madagascar after the office closed but this information was not readily available.

Agreed Action 20:

The Office agreed to the following:

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

a) A personnel data archiving policy is documented for the Africa region. Each cluster and country office should adopt the policy and customise it to local law. The policy should ensure personnel data is archived and kept safely for the minimum number of years in accordance with IFRC data retention polices and local laws.

b) As part of human resources oversight role, the regional human resources office should ensure they have a system of tracking all personnel data for IFRC contracted staff (both national and international staff) within the region.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

C2.9 Other HR findings

The audit reviewed the processes and controls in relation to volunteers, temporary staff, and termination of staff. A number of performance improvement recommendations were made which are reported separately to management.

Agreed Action 21:

As per C2.9 above.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

C3	INFORMATION SYSTEMS

C3.1   IT management

Regional IT asset register

The IT manager keeps a register of all IT inventory in the region. However, he relies on IT registers sent from the various offices and there is no mechanism of verifying whether the asset registers are complete.

Mobile phone policy

A recommendation in the 2014 audit was that a mobile phone policy be documented and implemented for the Africa regional office and the East Africa cluster office. Although the mobile phone policy was drafted, it has never been approved and there were inconsistencies noted in the draft policy.

Agreed Action 22:

The Office agreed to the following:

a) The IT department works with the RFU to establish a mechanism for identifying IT equipment bought in the various offices within the region. The finance officers should share a list of IT equipment bought with the IT regional manager on a quarterly basis to enable the IT unit capture all the IT equipment bought in the region.

b) The mobile phone policy should be harmonised in its provisions, sent to Geneva IT for their input then presented to the management team and approved by the Director for it to be implemented. The limits on mobile phones and mobile phone bills should be reviewed by finance before implementation.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

PART II DETAILED OBSERVATIONS & MANAGEMENT ACTION PLAN – NAIROBI CLUSTER

NO. IA-2016-02

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	RISK MANAGEMENT AND OVERSIGHT

A1.1   Risk management and internal control

Risk identification, assessment and management

Formal risk management practices have not been established within the Nairobi country cluster office. In 2013, management was involved in developing the risk register for the Africa regional office however, no specific risks were identified for the cluster. There is no up-to-date risk register with action plans that has been established.

Risk management of major projects

Identification of risks for major projects within the cluster has not been performed. For example, a population movement appeal did not have a formal risk assessment conducted to identify the key risks, and establish action plans for mitigating these risks.

Agreed Action 1:

The Office agreed to develop a risk management culture and process to ensure that risks are timely identified, assessed, mitigated and managed. This should include:

a) Improving risk management awareness by conducting a risk management training and workshop for the Nairobi cluster office. The training and workshop can be used to develop a risk register for the office.

b) Risk assessments of all key projects and initiatives being undertaken in the cluster is proactively done to identify risks and develop action plans for mitigating the risks.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

A2	LEGAL AND SUPPLEMENTARY SERVICES

A2.1   Contract Management

Contract database

The Administration unit keeps a spreadsheet of all the administration and procurement related contracts in the office. However, the following control weaknesses were noted:

- The contract database was incomplete. A comparison between the contract file and the database showed that certain contracts signed in 2015 with suppliers were not included in the database.

- Contracts with particular service providers were neither in the contract database nor the contract file.

- There is inconsistent usage of the contract approval signoff sheet. Not all contracts had the contract approval signoff sheet attached and therefore, it was unclear if all the required reviews and approvals had been obtained before the contracts were signed.

- There was no evidence that non-standard IFRC contracts were being reviewed by legal before being signed.

Program based contract management

Program related contracts and agreements such as memorandum of understandings (MOUs), donor agreements and project agreements are under the custody of the program staff. The following were noted when reviewing the contract management process:

- Original contracts are kept in an open shelf which can be easily accessed by anyone.

- A contract database consolidating all program related agreements has not been developed to enable monitoring and tracking of the agreements.

- For contract files: there are no contract approval sign off sheets on file and therefore, it is not clear if the contracts have been reviewed from a technical perspective in accordance with the provisions of the IFRC contract approval matrix procedures; certain project agreements make reference to attachments such as project budgets and working advance payments but the attachments were not on file.

Agreed Action 2:

The Office agreed to develop a robust contract management system. This should include:

a)   The establishment of a consolidated and up to date contract database for program related contracts, administration and procurement contracts.

b)   A reconciliation between the administration/procurement contract database, with the contract file is conducted to ensure that all current contracts have been captured in the database with the correct dates and values.

c)   All original contracts should be kept in a secured and central location with limited accessibility.

d)   Ensuring that the contract approval sign off sheet is used with each contract to ensure compliance with the contract approval process. Technical input on contracts should be obtained as per IFRC procedures.

e)   Non-standard contracts should be reviewed by legal before they are signed off. Evidence of such review and an approved decision paper should be kept on file.

f)   All program related agreements and contracts should be filed together with all related attachments. Any agreements on file that have not been fully executed should be signed off by all parties and kept on file.

g)   Rollout of the IFRC online contract management system.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

A2.2   Local legal management

Outsourced Legal Counsel

The audit reviewed the processes and controls in relation to the contract management process with the local legal advisor.   A number of performance improvement recommendations were made which are reported separately to management.

Agreed Action 3:

As per A2.2 above.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

A2.3   Other legal matters

The audit reviewed the processes and controls in relation to other legal matters.   A number of performance improvement recommendations were made which are reported separately to management.

Agreed Action 4:

As per A2.3 above.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

SECTION B – PROGRAMME AND PARTNERSHIPS MANAGEMENT

B1	LOGISTICS, PROCUREMENT AND FLEET

B1.1   Supplier management

Completion of the supplier prequalification process

A supplier prequalification process was started and closed in October 2015 with a date for return of the documents indicated as 4th November 2015. As at the time of the audit, the process had not been completed. Although the first stage for all categories had been finalised the physical verification and background checks for some suppliers was still ongoing. There is a need to complete the process and issue a final list of prequalified suppliers.

Agreed Action 5:

The Office agreed that the supplier prequalification process should be fast tracked and the final list of prequalified suppliers issued. The final list should be presented and approved by the committee of contracts once the exercise has been completed.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

B1.2   Vehicle management

Vehicle's inspection

Drivers should check the condition of the vehicle and its equipment using the vehicle inspection report on a regular basis. The fleet officer should also randomly perform vehicle inspections to ensure that the vehicles are in good condition and all defects noted have been reported and filed. An inspection of three of the six vehicles was done during the audit, and it was noted that they are generally in good upkeep and conditions of the vehicles are up to standard. However, from the sample of vehicle files reviewed, it was noted that vehicle inspections had not been documented.

Driver management

Drivers' files are generally well organized. However, it was noted that medical clearance certificates are not on file as per the requirements of the Fleet Manual.

Vehicle disposal

In 2015, the delegation disposed six vehicles through a closed tender process. A review of the disposal file indicated that the Federation disposal procedures were generally followed. However, it was noted that an independent local valuation of the market value of the vehicle was not established prior to the sale. Although guidance was provided by the IFRC global fleet unit indicating the minimum sale price for the vehicles, it is best practice to conduct a local valuation of the vehicles to determine the market value. The fleet manual provides that prior to the sale, the assets actual market value must be established by an official local dealer or a Federation, ICRC, UN vehicle workshop or other legally recognized institution or company.

Agreed Action 6:

The Office agreed to the following:

a)   Documentation of vehicle inspections using the vehicle inspection form should be done and kept on file as evidence that vehicle inspections are taking place.

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

b)   Drivers files should be completed with medical clearance certificates. A checklist based on the Fleet Manual should be developed on the minimum documents required for each file. The checklist should be used as a guide to ensure drivers' files contain all required information.

c)   Before the disposal of any asset, the market value of the asset should be obtained to compare this with the price offered.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

B2	SECURITY

B2.1   Security Framework

Security briefings – Coordination with administration and human resources

Standard practice should be in place that all incoming personnel, including visitors are given a security brief once they arrive in an IFRC office. However, it was noted that this was not consistently happening and the human resources and administration departments were not informing the security department of all incoming personnel and visitors.

Whereabouts of staff

The current systems and procedures for staff travel within the cluster office does not allow for a security briefing to be conducted prior to travel, or for effective monitoring of the location of staff at any given point. Approved travel missions are not shared with security to enable effective monitoring of staff whereabouts.

Security regulations

Each delegation should have security regulations based on IFRC standard templates, and the security regulations should be reviewed every six months. A discussion with management indicated that security regulations for the Nairobi office had been updated in September 2015, however this had not been shared with staff.

Security clearance for hotels and international staff accommodation

The security coordinator conducts security checks and clearance before a lease is signed for any international staff however, this is not being applied consistently. Further, there is no documented evidence that security clearance has been performed for hotels that are currently being used by IFRC visitors. An outsourced security check was conducted last year but it was not conducted in accordance with the IFRC Minimum Security Requirements (MSR).

Agreed Action 7:

The Office agreed that a security system is established that ensures Minimum Security Requirements (MSR) are complied with for staff operating under the IFRC security framework. This should include:

a) The human resource department ensures that all new staff for the region receive a security brief as part of the staff briefing process.

b) The administration department share with the security function the list of all incoming visitors into Nairobi to ensure that they have all received security briefings (as well as the visitor`s welcome pack).

c) All IFRC staff on official travel to obtain security clearance before any travel is undertaken. A system should be established for all travel missions to go through security before they are approved. The implementation of a web based system to facilitate security clearance and monitoring of staff movements should be explored.

d) Security check and clearance of all delegates houses (old and new) should be performed and documented. The administration department should inform security on a timely basis before signing any lease contract to enable security clearance of all residences before occupation by IFRC staff. All hotels currently being used by the office should be checked and cleared for security purposes using the IFRC MSR and the documentation kept on file.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

SECTION C – OPERATIONS SUPPORT

C1	FINANCE

C1.1   Working advance management

A review of working advance management noted the following:

- Working advance balances as at February 2016 indicated that there are long outstanding working advances for both staff and National Societies with some working advances being dormant for nine months. It was also noted that a number of staff had negative working balances some outstanding for more than three months.

- A National Society was holding multiple working advances due to different projects being run concurrently by the National Society. As at March 2016, the total working advance balance held amounted to approximately CHF 874k. Some of the outstanding working advance had been dormant for more than nine months.

- National Society working advances are being cleared without submission of a Plan of Action to verify that the expenditure is as per the agreed budget and to enable identification of ineligible expenses.

- For one operation, a working advance was being used by staff to purchase IT equipment, pay for IFRC guesthouse rent and pay for security guards. There have been instances where IFRC delegates in the field have requested staff travelling to the country to carry for them a working advance. The working advance procedures state that working advances are non-transferable.

- In December 2015 and January 2016, the number of administration expenses relating to repairs and maintenance of the office paid through staff working advances increased significantly. Working advances should be limited to general programme administrative usage and should not be used to pay for office repairs, maintenance and renovations above a certain threshold.

Agreed Action 8:

The Office agreed that effective management and controls relating to Working Advances should be put in place. This should include:

a) Efforts are made to clear all outstanding working advance balances. A plan of action is developed to recover long outstanding working advances and this is monitored and progress reported to management on a regular basis. Payment to staff should be made to clear all negative working advance balances.

b) In accordance with the IFRC Working Advance procedures, the finance department prepares a monthly aged analysis of working advances, and ensures that necessary action is taken.

c) Effective controls are established to ensure that a working advance is not issued to staff, National Society or third parties who have dormant or long outstanding working advance balances.

d) The approved budget/plan of action is attached to the settlement of working advances as evidence that the claims by National Society are consistent with the agreed plan and budget. This should be reviewed and verified by program staff before submission to finance.

e) Limiting working advances to general programme administrative usage and not used to purchase items IT equipment, pay rent or salaries or meet repairs and maintenance expenditure in the office.

f) Instances where staff transfer working advance to other staff is ceased. A review should be done to ensure that working advance to staff on the field is done through transferring amounts to staff bank accounts.

g) A risk based approach to management of working advance to National Societies is adopted taking into consideration the total amount of working advance that is currently being held by the National Society.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

C1.2 Financial transaction management

Finance transaction testing

A sample of expenditure transactions was selected for testing to assess their completeness, accuracy and if adequate supporting documentation was attached to substantiate the transaction. The following was noted:

- Two instances of salary advance payment made through cash with no evidence of Head of office approval.

- There was an instance of cash payment being made to the logistics officer for administrative expenditure with no supporting documentation on what the administration expenditure related to.

- Two instances of payment of internship stipend through cash.

- An amount was paid to a consultant to provide four sessions of support, including a monthly retainer fee. There is no signed worksheet attached by human resources as evidence that the sessions took place.

- An amount was paid for a consultant for more than CHF 1,000, however there is no evidence that competitive sourcing was done and neither is there justification for single sourcing in the file. The consultancy contract was not attached indicating the terms of reference.

- In a working advance justification from a National Society, there were four project staff where the working advance was used to contribute to their salary. No copies of the contracts were attached to validate the payment of the salary. It was also noted that program staff did not attach the approved budget and hence there is no validation of expenditure against approved budget or plan of action.

- It was noted that the working advance relating to a National Society (WANS) is in French and it is not clear how the finance team is validating the accuracy of the transactions.

Agreed Action 9:

The Office agreed to the following:

a) The finance unit establishes a robust process for ensuring that before any expenditure is processed, it has met the following requirements:

 - Authorisation and validation as per the Federation expenditure authorisation policy is documented;

 - There are sufficient documentation or explanations on the reasoning behind the transaction and any notes to the file for transactions which require further elaboration;

b) Petty cash transactions are limited to small office transactions.

c) Any payroll related expenditure example salary advance must be approved by the Head of office.

d) Consultants payments should be accompanied by a copy of the contract, signed invoice by the hiring manager, evidence from hiring managers on the satisfactory completion of work in accordance with the terms of reference and the approved request for consultant form.

e) Any WANS that is used to support salary payments should be evidenced by a copy of the contract.

f) Arrangements to be made for review of WANs which are not in English (this in particular relates to documents which are in French and in Amharic).

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

C1.3   Cash and bank management

Cash and bank policy

The IFRC Banking and Currency procedure requires that each office documents a local cash and bank policy which will provide guidelines and controls for the management of bank and cash transaction in the office.   Although a cash policy has been developed this is outdated and is not comprehensive.

Cheque and receipt book management

The management of cheque books and receipt books is generally functioning effectively however, the following were noted: blank receipt books and payment vouchers are kept in the safe room and not inside the safe; old used receipt books and payment vouchers are also kept in the safe room; and recently filled up receipt books/payment vouchers are kept in a box next to the cashier`s desk; and there is no register for cheque books and receipts/payment voucher books to control the movement of cheques and receipt/payment voucher books.

Spare keys to the safe and the safe room

The spare keys to the safe and the safe room are under the custody of the Head of cluster who also has the combination code to the safe.

Number of bank accounts

The office recently opened a CHF bank account. This brings the total number of bank accounts for the office to be four. The new bank account is meant to operate as a regional account for the Africa office, however it was noted that none of the signatories are regional staff members.

Agreed Action 10:

The Office agreed to implement improved bank and petty cash management controls. This should include:

a)   A local cash and bank policy is written, approved and communicated. The policy should provide guidance on the management of bank and cash accounts including, but not limited to, cash level limits, transportation of cash, working advance to staff, items that could be bought using petty cash, imprest amounts, cash counts and bank account management.

b)   All used and blank cheque books and receipt books should be kept in the safe. A register of cheque books and receipt books is maintained by the Chief Accountant to aid in controlling the movement of cheque books and receipt books.

c)   For effective segregation of duties, the spare keys to the safe and the safe room should not be kept under the custody of the Head of Cluster as he also has the combination lock to the safe.

d)   Once the new account is operational, the CHF bank account in Kenya should be closed to ensure that the bank accounts within the delegation are kept at a minimum. The signatories to the bank account should be reviewed to enable the account to be operated from the Africa regional office.

e)   Consideration should be made to open an Mpesa account for the office to limit physical cash transactions.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Low

C1.4   Filing of original documents

Missing original procurement documents

The filing of procurement documents of the cluster office is such that the finance department keeps the original supporting documents while the procurement department keeps a photocopy of the same.

During testing of procurement transactions, the audit noted certain instances that original supporting documents were missing from finance files. The audit had to rely on photocopies from the procurement department to obtain the complete set of supporting documents.

It should be noted that during external statutory or donor audits, original documents must be presented to the auditors, copies cannot be accepted as supporting documents.

Agreed Action 11:

The Office agreed that management should conduct a complete review and comparison between the finance and procurement files and identify instances where the complete set of original documents is missing. All original procurement documents must be traced and put on file.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C2	ADMINISTRATION

C2.1   Administrative policies and procedures

The audit reviewed the processes and controls in relation to the housing policy.   A number of performance improvement recommendations were made which are reported separately to management.

Agreed Action 12:

As per C2.1 above.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Low

C2.2   Office repairs, maintenance and renovations

Repairs, maintenance and renovations

During the month of December 2015 and January 2016, there was an increase in office repairs, maintenance and renovation costs. The costs were paid through cash by staff taking working advance. The work was contracted to suppliers who required the payment in cash. The amount paid was around three times the amount as previously. Effective controls should ensure that cash payments are limited to small office transactions.

Agreed Action 13:

The Office agreed to the following:

a)   As part of the office cash and bank policy, a cash ceiling should be established to cap any office related expenditure that is above a certain threshold. Cash transactions should be strictly limited to small office expenditure.

b)   Management should establish controls to ensure in instances where the total cost will exceed a particular threshold, cash payments through working advance are not used. In such instances, consideration should be done to engage a contracted company and enable payment to be made through bank transfers or cheque.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: High

C3	ASSETS AND INVENTORY

C3.1   Asset/Inventory management and safeguarding

Asset/Inventory registers

The Administration unit maintains detailed asset registers for both the office and the delegates` houses. However, the review of the inventory and equipment management processes noted the following:

- The office asset register does not contain the values of the asset and the delegates inventory list does not also indicate the value of the assets is in all instances. The assets are expensed by finance and there is no reference in the register to the finance accounting documents. In addition, no independent verification is conducted between the asset register and the general ledger.

- An asset verification exercise for the office inventory was performed by a logistics intern in 2015. The exercise did not include verification of the assets in the delegates houses. Although an asset verification is carried out when delegates leave the houses at the end of the mission, best practice requires that an independent verification of all assets and inventory should be conducted on an annual basis and documented.

Assets and inventory disposal

A disposal of assets and inventory was conducted in 2015 and 2016. The following was noted:

- No valuation of the assets was done prior to the disposal process to determine the expected price for each item.

- A local disposal standard operating procedures has not yet been established that would ensure minimum disposal controls such as appropriate asset valuations, disposal approvals and reconciliations are done.

Agreed Action 14:

The Office agreed to the following:

a) Ensure that the value component is captured for all assets (both office and delegate houses inventory).

b) As part of the annual verification exercise, IFRC assets within delegates houses should be verified. The verification will identify any lost items, determine the condition of the assets e.g. damages, wear and tear. Any discrepancies identified during the verification should be followed up and investigated.

c) The asset register for both the office and the delegates housing should contain a column that links the purchase to the finance transaction. On an annual basis, a reconciliation of the asset register to the general ledger is conducted by personnel who are independent in the day to day management of assets, purchase of assets and disposal of assets.

d) Establish a local disposal standard operating procedure which will document disposal process controls. The disposal SOP should be approved by management before implementation.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

International Federation of Red Cross and Red
Crescent Societies
Office of Internal Audit and Investigations

Africa Regional & Nairobi Country Cluster Office
Audit Report No. IA-2016-02
July 2016

C4	INFORMATION SYSTEMS

C4.1 IT management

Server location

Access to the server room is limited to the IT officer, Regional IT manager, the Head of Cluster and the Regional Director. It was noted that there is no security camera outside the server room and hence should anyone else access the server room using the access cards of the four individuals, it would be difficult to detect. The server room is also located at the basement of the building and the server could be damaged in case of flooding.

Offsite backups

Offsite backup of server cassettes is not being done. The server cassettes only go back to two months. There are no backup schedules and backup SOPs developed for the office. In terms of staff files` backup, the automated backup was suspended and staff given hard drives. However, there has not been an effective system of ensuring staff backups are being done.

Password management

We noted that in certain instances, passwords are set not to expire. Weak passwords can be the weakest link in a computer security scheme. Passwords are used as an authentication mechanism to relevant applications and hence should have established standards for composition, management and syntax. The IFRC ICT Security Policy provides that internal users must establish strong passwords and that there will be a scheduled system request for change of password.

Agreed Action 15:

The Office agreed to the following:

a) A camera is installed outside the server room to act as a secondary security control to the server room. An alternative site in the office should be found for the server that would not be prone to flooding.

b) More server cassettes are bought to enable the office back up data for a longer period of time. Offsite back up in a secure location is maintained with regular backup schedules (weekly, monthly etc.) and the development of back up SOPs. There should also be established a log book to record the movement of backup media with fields indicating the name, the date of movement and the number of the backup media.

c) The automated backup procedure is resumed when the IT infrastructure allows. For manual backups (e.g. copy to a hard drive), a backup register is implemented and updated. The backup register should include the list of users and the last backup date.

d) The system setup that prompts staff to change passwords should be rolled out. Weak passwords which are prone to password cracking tools should be rejected. Passwords must meet a minimum length value, password change intervals, use of special characters and minimum number of unsuccessful attempts before lockout.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

C4.2 IT inventory

The IT department keeps an inventory of IT equipment for the office. The following was noted during the audit:

- No independent verification and physical counts of the IT assets has been conducted by a person independent of the IT function.

- No IT disposal was carried out in 2015, and there is need to dispose of IT assets which are not being used to free up space and to ensure they do not become obsolete.

- The 2014 audit report recommended that a reconciliation of the IT asset register to the general ledger is periodically performed and the IT asset register should include a reference to the accounting documents (e.g. supplier invoice, procurement payment etc.) including all IT assets procurement and invoices are communicated by the finance department to the IT department. During the audit, it was noted that the recommendation had not been fully implemented despite the fact that it had been reported as been fully implemented.
- A comparison between the mobile phone register and the finance records noted some differences in the values of the items.

Agreed Action 16:

The Office agreed to the following:

a) An independent verification and physical count of the IT assets is conducted by a person independent of the IT function. Any discrepancies noted should be investigated further if required.

b) The IT register is assessed to determine which items need to be disposed/ donated. The disposal should include the establishment of a disposal committee to oversee the process. A reconciliation between the IT register, the bids received and the money received should be conducted by the finance department after the disposal.

c) The 2014 recommendation to reconcile the IT register and the general ledger should be fully implemented. If there are inadequate resources to perform this reconciliation, then a temporary resource can be engaged to assist in the implementation. After this exercise, the values recorded in the IT registers should be corrected.

d) The IT register should have reference to the finance documents to enable a verification of the accuracy of the IT register during a review. Finance should communicate all IT asset procurements and invoices to the IT department.

Manager responsible for the action: Director of Region

Due Date: December 2016

Priority Rating: Medium

PART III ANNEXES

ANNEX 1 - PRIORITY RATINGS

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

ANNEX 2 - ABBREVIATIONS

CHF	Swiss francs
CoC	Code of Conduct
DM	Disaster management
DREF	Disaster relief emergency fund
GLU	Global logistics unit
HR	Human resources function
IFRC	International Federation of Red Cross and Red Crescent Societies
KPIs	Key performance indicators
M&E	Monitoring and evaluation
ODK	Open data kit (data collection)
OIAI	Office of Internal Audit and Investigations
PMER	Planning, monitoring, evaluation and reporting
PNS	Partner National Society
PRD	Partnerships and resource development function
RAMP	Rapid mobile phone based (data collection)
RDRT	Regional disaster response team
RFU	Regional finance unit
RLU	Regional logistics unit
WANS	Working advance to national society
WATSAN	Water and sanitation
WHT	Withholding tax