



International Federation
of Red Cross and Red Crescent Societies

**OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS**

**INTERNAL AUDIT OF THE
Americas Regional Office (Panama)
REPORT NO. IA-2017-11**

AUDIT PERFORMED: November 2017

REPORT TO MANAGEMENT: January 2018

TABLE OF CONTENTS

| | |
|--|-----------|
| PART I - INTRODUCTION & EXECUTIVE SUMMARY | 3 |
| 1. BACKGROUND AND CONTEXT | 3 |
| 2. OBJECTIVE OF THE AUDIT..... | 3 |
| 3. SCOPE AND METHODOLOGY | 4 |
| 4. EXECUTIVE SUMMARY | 5 |
| PART II - DETAILED OBSERVATIONS & RECOMMENDATIONS | 8 |
| PART III - ANNEXES | 36 |

PART I - INTRODUCTION & EXECUTIVE SUMMARY

1. BACKGROUND AND CONTEXT

The Americas Regional Office (ARO) is the central hub that guides the IFRC regional strategy, supporting 35 National Societies, overseeing the work of 5 regional clusters and strategically placed reference centres. The office location remains centralised on the continent in Panama City. The main objective seeks to support the Red Cross Societies in the Americas to work on the priorities outlined in the Houston Commitment and the Inter-American Framework for Action 2016-2020. This regionalises implementation of the principles of Strategy 2020.

The Regional office also acts as the centrepiece for guidance on core IFRC services such as Finance, Human Resources, Legal, PMER and IT with the Regional Logistics Unit also integrated within the office.

The impact of devastating category 5 hurricanes of Irma and Maria as well as other emergencies (earthquakes, landslides, etc) were experienced in 2017, coinciding with other emergency humanitarian needs across the region and ongoing threats, such as action on the Zika virus. Work has also concentrated on improving the governance of National Societies which have suffered integrity issues.

Some initiatives include the review of Disaster Management service provision and the ongoing development of the Panama Humanitarian Hub, in partnership with the Panamanian government and UN, which will include a brand new multi-purpose goods warehouse directly located next to an airstrip.

The total budget for implementing the strategy of areas of focus is CHF 5,164,947 and for strategies for implementation is CHF 7,263,486.

The number of staff stationed in the office was 72, which includes 56 national staff and 16 delegates. The Director the Region moved from a position with the IFRC in Geneva to Regional Director and has been in post since 2015.

This scheduled audit was part of the 2017 Internal Audit plan approved by the Secretary General. Audit and follow up have been completed for two previous audit visits in 2012 and 2015.

2. OBJECTIVE OF THE AUDIT

The purpose of the audit is to provide management with reasonable assurance in relation to the adequacy and effectiveness 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 segregation of duties, delegation of authority, and risk management);
- 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, and other tangible, as well as non-tangible (e.g. reputation and branding) assets;
- 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 included 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), governance and oversight.
- Overall coordination and organization of work.
- Legal risk management including contracts management.

B) Programme and partnerships management

- Disaster Management linked to Disaster Response including planning, monitoring, evaluation and reporting systems.
- Logistics, procurement and fleet management.

C) Operations support

- Finance, including accounting, treasury, cash and banking, and supporting documentation for expenditure and journal transactions.
- Human resource management, including payroll, recruitment, and performance management.
- Travel.

Other areas, such as Security, IT Management, Administration (with exception of Travel), Asset Inventory, Partnership and Resource Development and National Society Development programs were not prioritised, however, the implementation regarding previous audit recommendations related to these areas were assessed.

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.

4. EXECUTIVE SUMMARY

4.1 Summary of recommendations

The recommendations by section including the priority levels are summarized below:

| SECTION | Recommendations | | |
|---|-----------------|-----------------|--------------|
| | High Priority | Medium Priority | Low Priority |
| OVERSIGHT AND RISK MANAGEMENT | | | |
| A1 Risk management, oversight and monitoring | 1 | | |
| A2 Organisation, coordination and communication | | 1 | |
| A3 Legal | 1 | | |
| PROGRAMME AND PARTNERSHIP MANAGEMENT | | | |
| B1 Programming, planning, monitoring, evaluation, and reporting | 1 | 1 | |
| B2 Resource development and partnership management | | | |
| B3 Logistics, procurement and fleet | 2 | 1 | |
| B4 Security | | | |
| OPERATIONS SUPPORT | | | |
| C1 Finance | 2 | 2 | 1 |
| C2 Human resources | 2 | 3 | |
| C3 Administration | | 1 | |
| C4 Assets and inventory | | 1 | |
| C5 Information systems | | | |
| TOTAL AUDIT RECOMMENDATIONS | 9 | 10 | 1 |

4.2 Summary of key findings

Improvement areas

Recommendations which had a primary risk relating to the audit objectives of effectiveness, efficiency, safeguarding of assets, and reporting (see Annex 3) are summarised below:

| Audit objectives | | High Priority | Medium Priority | Low Priority |
|------------------|--------------------|---------------|-----------------|--------------|
| a) | Effectiveness | 2 | 1 | |
| b) | Efficiency | 3 | 5 | |
| c) | Asset Safeguarding | 4 | 3 | 1 |
| d) | Reporting | | 1 | |
| Total | | 9 | 10 | 1 |

The Americas Regional Office (ARO) has been overseeing operations and set programmes under their remit in a committed manner. We found the different units and teams were aware of the operational risks and that most of these risks were being managed (although some informally). This is in the context of working with national societies in the Americas region whose governance practices have been called into question, with sometimes limited capacity to immediately implement better practices.

The Regional Director has been in post since 2015 with a stable and supportive team, who continue to develop existing systems and are open to continuous improvement. Most unit managers have considerable experience working within the Red Cross Movement.

Yet, there were fundamental inadequacies in compliance to expected controls in program management and support services, exposing the Federation to significant risk, which requires immediate redress. There are six key areas of work that could significantly expose IFRC to unnecessary risk. These areas concern, a) risk management and management oversight; b) contract management; c) program management (especially regarding monitoring); d) sourcing and stock management; e) financial analysis and oversight and f) HR management in the areas of recruitment and contracting.

The key points are:

- An inconsistent approach to risk management practices and inconsistent (sometimes limited) oversight of the Country Clusters by different Panama Regional Office units/departments. There was also limited support and infrequent monitoring visits to such Clusters (observation/recommendation # 1);
- Lack of clarity on what each unit/department is reviewing in terms of contract or MoUs. Consequently, incomplete details, errors or lack of supporting documents underpinning the contract approval request were identified. As a result, there have been occasions where contracts have progressed to final Geneva approval in an incomplete state (observation/recommendation #3);
- M&E (monitoring and evaluation) plans are not always completed for each Emergency Operation. Some operations have established an M&E plan, but the indicators and targets are not always smart (specific, measurable, etc.). Monitoring visits to operational sites are not regularly and consistently undertaken. Furthermore, there is no established monitoring tool/report to gather relevant information and assess if the activities, goods and/or services were as stated and effectively delivered to beneficiaries (observation/recommendation #4);
- Regular use of charter flights for the carrying of relief items, which are extremely costing, without an efficient/cost/value analysis being performed. A stock strategy and plan, as well as Regional Framework agreements with suppliers for some regular commodities, has not been established. Management of pre-positioned stock has been weak with limited monitoring visits to the respective warehouses (observation/recommendation #6 and #7).
- Finance analysts are not performing any type of trend analysis of programme financial data and/or risk analysis of financial accounting information. It was also noted an incomplete follow up of financial matters resulting from the balance sheet from different Clusters/Offices (e.g. dormant balances including dormant bank accounts, accounting mistakes, etc), including the expected regular clearance of balance sheet accounts. This increases the risk of continued poor practice and, at worst, the asset loss and/or misappropriation of funds (observation/recommendation #9 and #13);
- HR roster of potential staff for urgent deployment in times of emergency has not been developed/maintained, consequently the process to identify and deploy experienced delegates is time consuming and, in some cases, inadequate. Non-adherence to IFRC standard recruitment processes and practices (national staff, consultants and interns). Inadequacy of contracting modality when hiring some staff (for e.g. some staff were, incorrectly, hired under a service contract and/or consultancy contract). Furthermore, not all offices in Americas have finalised their national staff regulations (observation/recommendation #14 and #17).

The ARO agreed that these areas require resolution and have been positive in reaction to these findings. The Director of Region took actions to immediately rectify some of these issues. The action plan presented by the ARO team in response to this report (refer to management action plan for each recommendation) will help improve the control environment.

4.3 Conclusion

The internal audit of the Americas Regional Office highlighted number of improvements opportunities that are mainly related to risk management, efficient use of resources and safeguarding of assets. The OIAI overall assessment of the internal controls environment is that major improvements needed.

Until the audit findings are fully addressed, the OIAI does not provide reasonable assurance that all the Regional Office objectives are likely to be met.

PART II - DETAILED OBSERVATIONS & RECOMMENDATIONS

REPORT NO. IA-2017-11

SECTION A – OVERSIGHT AND RISK MANAGEMENT

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|--|--|
| A1 | RISK MANAGEMENT, OVERSIGHT AND MONITORING |
| <p>A1.1 Risk management</p> <p><u>Risk identification, assessment and management</u></p> <p>Risk management activities are conducted informally in the Americas Regional Office. A risk register was established in the beginning of 2016 as per audit recommendation. This risk register has not been reviewed and adjusted since then. There is no recent documented risk analysis to assess and help manage the key risks for the Americas.</p> <p>The audit review noted risks which had been already identified by the various units in the Panama office (e.g. funding issues with some programmes, limited National Society capacity to monitor and implement complex programmes, fraud and corruption risks, etc.). However, no documented action plan has been developed to mitigate the risks.</p> <p><u>Oversight</u></p> <p>Based on the audits performed for both Haiti and Andean Country Clusters, the auditors observed that there is inconsistent, and in some cases, limited, oversight from Americas Regional Office units. There was also limited support and infrequent monitoring visits. Issues identified in these recent audits could have been identified and resolved if better monitoring had been performed.</p> <p><u>Audit recommendations sharing</u></p> <p>Recommendation from audits performed in Americas offices/clusters are not timely or systematically shared with key monitoring managers within the Regional Office. Consequently, lessons learned, or actions required may be missed to remediate similar issues in other locations in the Americas.</p> <p>Risk (s): Inefficiency; Asset safeguarding Cause(s): Organisational culture; Resources/capacity</p> | |
| <p>Recommendation 1</p> <p>a) Risk management practices are formally re-introduced across the Americas Regional Office and Cluster and Country Offices. A consolidated risk register of key risks in each office should be established and maintained, with risk mitigation actions also developed. The risk register is regularly monitored and updated (at least every six months) to ensure that key risks are being managed. This risk register should also be shared amongst offices;</p> <p>b) A monitoring plan, based on a clear risk analysis, is established by the Americas Regional Office to oversight and support the Regional Clusters in different areas such as programmes and support services;</p> <p>c) A mechanism is established to ensure all audit observations and recommendations from reviews of cluster offices are shared with relevant managers (especially unit managers in the Americas Regional Office). Implementation of recommendations are followed up with respective offices and similar potential weaknesses are assessed within other offices.</p> <p>Management Action Plan:</p> <p>a). It is important to mention that when the previous audit took place during the end of 2015, a session was conducted by the internal auditors where key risks were identified. However, most of the unit managers and coordinators did not participate during this session. Hence it was decided to conduct another session that was done by the Finance & Admin. Manager. A risk assessment was done as well as the matrix which was shared with the internal auditors. Even though there were identified risk owners, the due dates were not established, and actions were not followed up.</p> <p>Hence the Management Team will ensure that all the identified risks and the plan of action is implemented with a due date to completed before the end of March 2018. A new risk assessment will be done within Q3 2018.</p> | |

b) Field visits will be conducted as much as possible which shall include risk assessments. It will facilitate the introduction of risk management practices in all the offices. A risk register and a risk matrix are the expected outputs of these visits. Once each is being done, a monitoring plan will be developed to oversight that the action plan is implemented. It will be agreed with the Head of Country Clusters and Head of Offices the dates to conduct these visits.

c). A One Drive folder was created which included all the audit recommendations that was done in the 2015 audit recommendation. It was shared with all the unit managers and coordinators within the Regional Office. Each responsible had the task to update the status with the oversight of the Finance and Administration Manager. This same approach has been done already with the recommendations that were provided in the draft report. All of them have been circulated with the related managers within the Americas Regional Office. Based on the current recommendation, the managers and coordinators of other offices will have access in January 2018, so they can see the recommendations given in this last audit, so they can put in practice such internal control measures to mitigate or eliminate the potential risks.

It is important to highlight as well that the monitoring visits are limited to the availability of funding. However, it will be considered to take any opportunity for visits to introduce risk management practices and perform additional reviews. The experience has demonstrated that the monitoring visits are more effective rather than virtual communication.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, Finance and Administration

Due Date: March 2018

Priority Rating: High

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| A2 | ORGANISATION, COORDINATION AND COMMUNICATION |
| A2.1 Reporting Lines, Roles and Responsibilities | |
| <u>Standing Operating Procedures (SoPs) for disaster management and surge response – roles, responsibilities and signing authority</u> | |
| SoPs for disaster management and surge response are yet to be implemented. The final version of the SoPs has been shared with the auditors. The document is very comprehensive but too long (more than 100 pages with annexes). | |
| The following points were identified by the auditors as areas that have caused misunderstanding and operational constraints in the Americas Region when responding to Emergency Operations: | |
| <ul style="list-style-type: none"> • Disaster Crisis Management unit (DCM) historically working in isolation in the first phase of the emergency and poor coordination for subsequent handover to cluster management; • The emphasis on the short term by DCM managers and lack of Head of Clusters' involvement in decision making during the initial response and potential long-term impacts (if the emergency occurs in an area where a Cluster is already established); • The unclear roles, responsibility and accountability between the DCM/DREF Officer and each Head of Cluster for DREF operations and the fact that financial reporting is based on the location of the DREF Officer, not the location of the disaster (or the Cluster covering the disaster); • Unclear signing authority during the Emergency Operations, particularly during the response phase (first three months). | |
| The current practice, as mentioned above, gives full authority to DCM/Operations Manager/DREF Officer to manage all DREF operations as well as the initial response to emergencies (usually three months, but this can be extended). The Heads of Cluster are kept informed, but have no direct control over the strategic impact of emergency operations on long term planning. This results in limited knowledge of the initial response and the risks and challenges. Also, the | |

finances and budget monitoring in this scenario are reported outside of the cluster. In addition, Heads of Clusters inherit post emergency issues, often when it is too late to react. There is a risk that inherited issues could negatively impact agreed plans or take longer to resolve.

With regards to financial reporting, as an example IFRC funded or supported programmes in Brazil and Argentina are supposed to be overseen by the South Cone and Brazil Country Cluster Support Team based in Buenos Aires. However, due to the above practices, recent DREF Operations related to Brazil and Argentina are included in the Andean CCST office balance sheet, because the DREF Officer covering the whole of South America is based in Lima. Consequently, the Head of Andean CCST office is effectively signing and taking accountability for financial accounts related to two National Societies for which he has no direct influence, oversight or responsibility.

Risk (s): Inefficiency; Asset Safeguarding

Cause(s): Resources/capacity; guidance

Recommendation 2

- a) Disaster management and surge Sops' roles, responsibilities and accountabilities are re-assessed. A summary page ('quick-sheet') overview of key roles, responsibilities and accountabilities should be completed for the Americas region to clearly state management control over emergency operations. This will include the involvement of the Head of Clusters in decision making, emergency operation risk management and assessment of the strategic impact on existing programmes and finances;
- b) Ensure that each office balance sheet only includes amounts and account balances which are under its direct control and responsibility. As an example, any working advances to National Societies such as Brazil or Argentina should be accounted for in the relevant cluster balance sheet (i.e. South Cone and Brazil CCST – CODA company AR instead of Lima balance sheet – CODA company 46).

Management Action Plan:

- a) D&C Unit is updating the emergency SoP at this moment. It is a priority for 2018 to be finalized during the first 3 months of the year. Roles & Responsibilities are being revised and updated. The latest version comes from 2011-2012. SMT directed and instructed all the units to ensure the fulfilment of this task.
- b) The finances of the operations were managed in the office where the DMC manager was located since it facilitates the review and approval of documentation. As these offices have a better finance structure, it facilitates to manage high volume of transactions with the DMC manager located in the same office. However, it is understood the point that has been highlighted in terms of the Head of Office accountability, by having finances of projects that are not under his/her responsibility. Hence it is proposed that all the outstanding working advances balances will be reclassified to the CODA company of the cluster or office which has the accountability with the National Societies under its portfolio (e.g. Brazil DREF outstanding balance will be reallocated to co. Argentina).

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Disaster and Crisis Coordinator & Manager, Finance and Administration

Due Date: March 2018

Priority Rating: Medium

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|---|--------------|
| A3 | LEGAL |
| A3.1 Contract management | |
| <u>Contract Approval</u> | |
| There is still a lack of clarity on what each unit/department in the Americas Regional Office is reviewing in terms of contract or memorandums of understanding (MoUs). There is recent evidence of incomplete details, errors or lack of | |

supporting documents underpinning the contract approval request. Some of these issues were picked up locally in Panama, but managers identifying the problem were effectively not responsible to make any change. These omissions were not escalated in time or allowed to be processed. Other omissions were not identified at all by management in the Panama office.

As a result, there have been occasions where contracts have progressed to final Geneva approval in an incomplete state. This creates a delay, is inefficient and results in extra burden on all reviewers and authorisers.

Signing authority within the Americas Regional Office

According to the contracting procedures, contracts and purchase orders must be agreed by the signing authority indicated in the Contract Approval Matrix (CAM). The only alternative is that the signing authority may delegate this responsibility (e.g. when out of office, on a category of contract or a ceiling contractual amount).

The Head of Regional Logistics Unit signs all RLU purchase orders, but has not been formally provided with the delegated authority. The local delegation of authority has not been formally recorded and the implications of sign off explained to relevant substitutes.

Note: Other issues were identified related to HR contractual matters that are reported under the Human Resources section of this report.

Risk(s): Legal liabilities; Asset/financial loss

Cause(s): Compliance; Procedures/guidelines

Recommendation 3

- a) The Americas Region management team will record what should be checked by each unit. If other unit managers highlight issues that are unrelated to their area of validation, this will be e-mailed to the responsible unit head for immediate correction or response;
- b) All contracts and/or purchase orders are signed by the Americas Regional Office Director unless the signing authority is delegated, as per contract procedures. The contract approval procedures and the contract approval matrix (CAM) is shared once more amongst staff to ensure their full awareness regarding contractual matters.

Management Action Plan:

- a) Each unit involved in the review or approval of a contract will develop a checklist that lists all the areas that should be reviewed during this process. (e.g. The Finance Unit is currently checking: if there is an approved budget and PEAR, if there is enough balance in the budget line and PEAR, if the codes are correct, if the terms and conditions are reasonable). If there is an issue that is unrelated to the function that is validating, it is written in the section comments of the e-contract requesting the correction or response.
- b) The CAM has been recently modified to clearly established the position responsible to sign the purchase orders. The legal counsellor will conduct briefing sessions of the CAM to ensure there is a common understanding of the staff involved in the process to ensure compliance with the procedure.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Legal counsellor

Due Date: March 2018

Priority Rating: High

SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

| | |
|---|--|
| B1 | PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING |
| <p>B1.1 Programming and Project management</p> <p><u>Planning, Monitoring, Evaluation and Reporting (PMER)</u></p> <p>The following was noted regarding PMER practices in the Americas Region:</p> <ul style="list-style-type: none"> • <u>Monitoring and Evaluation (M&E) Plans</u> – An M&E plan is to be used by all Secretariat funded project/programmes at the field level as required by the IFRC PMER global guidelines. The PMER guidelines state that an M&E Plan “allows programme staff at the field level to track progress towards specific targets for better transparency and accountability”. It was noted that an M&E plan has not been completed for all Emergency Operations during the project planning stage, such as the Peru Floods Emergency Operation. Other Emergency Operations have established an M&E plan, but the indicators and targets are not always SMART (i.e. specific, measurable etc), limiting the ability to monitor real impacts and weakening the substance of the reporting. Some reports are not consistently including actual outcomes against targets. Without a customised and documented M&E plan, there is a risk that the quality of the project may be compromised, and project objectives are not achieved; • <u>Monitoring Tool</u> – While some visits are performed in the initial stage of DREF and Emergency Operations, monitoring visits to operational sites are not regularly and consistently undertaken. In addition, there is no established monitoring tool/report to gather relevant information and assess if the activities, goods and/or services were as stated and effectively delivered to beneficiaries; • <u>Dashboard on implemented activities</u> - A dashboard is being used and available in the public domain. This dashboard has many useful indicators and data results related to the Emergency and DREF Operations. However, the dashboard does not provide information about “outputs/activities” implemented under the Appeal or compare implementation against plans (for example, how many beneficiaries received cash, how many shelter kits distributed etc); • <u>Evaluation recommendations</u> - Evaluations are key to assessing the impact of projects and help provide lessons for future decision making. At the time of the audit, follow up and review of recommendations in evaluation reports has not been performed throughout 2017. There is a risk that opportunities to change programming practices and approaches have been missed. <p><u>Project management</u></p> <p>The previous audit performed in 2015 had identified several projects that were recommended to close in the Americas Region accounts (for example, projects that are dormant or have minor balances). Despite the efforts of the Americas Regional Office to address the issue in 2016, there are still many projects and cost centres that should be closed for different operations/programmes (for example, Cxxx, P42xxx, PHTxxx). Keeping unnecessary opened projects creates additional tasks and extra time for review on each project.</p> <p>Risk(s): Ineffectiveness; Inefficiency; Fraud/Misuse Cause(s): Oversight/guidance; Resources/Capacity</p> | |
| <p>Recommendation 4</p> <p>a) The Americas Region follow the IFRC PMER global guidelines by ensuring that the relevant Head of Operation undertakes a check during any planning phase to confirm that IFRC and relevant partners have created a M&E plan with indicators that are SMART. This should be followed up by PMER staff in the Americas Regional Office;</p> <p>b) The Americas Region M&E team should propose a one-page monitoring form that can be generically used to record observations of activity, outputs and goods and services provided to beneficiaries (‘a one-hour check’). The</p> | |

document should be flexible to cover all types of programme or project, multilingual and easy for anyone in the Americas region to use. PMER staff should create a simple campaign on go-live of the document for staff awareness. Management, in coordination with the PMER staff, should ensure that all project field visits are using this simple monitoring tool and that the information is recorded centrally. Staff who do not complete the monitoring tool should be reminded of the importance of the check to prevent future repetition;

- c) Consolidated information regarding the main outputs/activities implemented in various IFRC funded field operations in Americas Region is obtained and reported, to provide Senior Management with monthly or at least quarterly consolidated figures regarding the services and goods provided to beneficiaries;
- d) Project evaluation recommendations will be consolidated, and this list will be updated over time. This consolidated sheet should be referenced in a management/PMER staff meeting during concept/planning stages of new operations;
- e) The action from the 2015 internal audit report regarding the need to close unused or completed projects is repeated. All dormant or low balance projects should be phased out and projects closed.

Management Action Plan:

- a) A check will be carried out by PMER on all open emergency appeal with more than 3 months of implementation left to verify with the responsible head of operation if M&E plan is available and if not, provide technical assistance to manager responsible so it's completed as per global PMER guidelines.
- b) ARO PMER team and D&C to work on a sample one-page monitoring form for testing in the 1st semester of 2018. Important to consider that D&C is currently undertaking a consultancy to develop quality standards for operations.
- c) The idea of consolidated quarterly figures is good. This should be easy to do with the information generated for the dashboards.
- d) A consolidated list of project evaluation recommendations was already developed in 2016. PMER D&C with support from the ARO PMER unit will update the list to include recommendations from evaluations carried out in 2017 and forward, so it can be accessed for reference during planning stages of projects or operations.
- e) The number of non-active projects have been reviewed and it totalled 48. This amount is classified as follows:
 - 24 projects have outstanding pledges. Out of this amount, 16 are related to the Zika project funded through USAID. This is another allocation to be spent in 2018 and hence there is no budget in 2017. This is the reason why all the projects appear frozen. The funds will be implemented in 2018. The other 8 projects are closed projects in which we are waiting the payment from the donors to close them (e.g. DIPECHO and ECHO).
 - 1 project is related to the CBF allocation for Antigua and Barbuda that will be implemented in 2018. Hence there is no budget for 2017 and the project has been frozen. A budget will be uploaded for 2018.
 - 3 projects are frozen because they will be subject to a write off requests. They were planned to be written off in 2016 yearend close, there were still some outstanding provisions which did not allow the closing of the projects. These projects are expected to be closed during 2017 yearend close.
 - 1 project is linked to an active Emergency Appeal: Ecuador Earthquake which continues in 2018. As there is no budget in 2017, this balance will be transferred to the active projects in 2018.
 - The final balance of 19 projects represents CHF 125,000 out of which 2 represents CHF 122,000 of the Haiti previous appeal. These ones are scheduled to be closed within 2017.
 - There are some cost centres with active status, but without budget. These cost centres were closed in the Regional Office. However, after reviewing them, it has been noticed that the last modification was done by a user in Geneva in 2016. No transaction was booked in these cost centres since the moment in which they were closed in the Regional Office. All of them have been closed again.

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| <p>Risk Owner: Americas Regional Office Director</p> <p>Responsible for the implementation: PMER Senior Officer</p> <p>Due Date: March 2018</p> <p style="text-align: right;">Priority Rating: High</p> |
| <p>Implementation of the Emergency Operations</p> <p><i>Disaster Crisis Management(DCM) unit vs Procurement/Stock planning (please refer to Logistics Section B3.3)</i></p> <p><u>Relief information availability</u></p> <p>Key information related to emergency and relief operations, such as beneficiary lists or monitoring reports, are not consistently filed, consolidated and/or handed over. The lack of central coordination of the information and data on emergency operations makes it difficult to analyse and determine the history of the programme across all sectors. This includes the distribution of goods and services to beneficiaries, the assets, stock or cash handed over or used by the ERUs, RDRTs to the National Societies/IFRC operation and potential developing issues.</p> <p>It was noted from our recent audits of field locations (e.g. Haiti) that practices concerning operation documentation are disjointed. Managers use different methods, proformas or documents and do not retain or request all the expected information. For example, beneficiary selection process, signed distribution lists, handover of materials and letters of donations are not properly kept by the respective programs (e.g. Health, Livelihood, WASH and Community Engagement and Accountability (CEA)), neither consolidated.</p> <p><u>Cash programming</u></p> <p>Cash programming activities are used in most IFRC Emergency Operations (e.g. Haiti, Peru) and carry significant financial risks. It took an unacceptable amount of time to initiate cash programming activities both in Haiti and Peru due to a combination of factors, specifically, the lack of clarity about procurement procedures, contract negotiation and decision making. For example, cash programming activities in Haiti were planned to start in January 2017 but were delayed until May 2017 and in Peru are still not concluded after three months. This has resulted in frustration and doubts around project progression, which affects the timely delivery of services to beneficiaries and may impact future funding or partnerships.</p> <p>Risk(s): Ineffectiveness; Inefficiency; Fraud/Misuse</p> <p>Cause(s): Oversight/guidance; Procedures/</p> |
| <p>Recommendation 5</p> <p>a) The Regional senior management team ensure that harmonised practices are developed to document, collate and control all sector and support programme information across the Americas Region, particularly during emergency operations. Roles and responsibilities should be clarified regarding the storage and safekeeping of data and information on all programme activities in one accessible location. This includes beneficiary related documentation, ensuring copies of distribution lists are retained, complete, consolidated and filed for IFRC records and verification;</p> <p>b) The Americas Regional Office seeks written clarification from the Logistics Department in Geneva regarding detailed procurement processes for cash programming (i.e. supplier selection process and authorisation levels). Once received, the information is shared amongst programmes and support services as well as the respective Clusters/Offices in the region.</p> <p>Management Action Plan:</p> <p>a) Additionally, to the invoices files, a separated file for relief distribution will be requested to the NS to storage the documentation. Harmonized collection system will require more time to identify an option due that NS use different templates according to their context and procedures. Roles & Responsibilities will be updated, including this recommendation.</p> |

D&C, Finances and Logistic meet with CTP consultant and provided feedback related to the global procedures according to the regional experience in cash. ARO is waiting for the final version of the global procedure and will be shared and socialized with all the people involved in the emergency operations.

b) It has been agreed with the recommendation to clarify the cash programming procedure.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Disaster and Crisis Coordinator & Regional Logistics Unit Coordinator

Due Date: March 2018

Priority Rating: Medium

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| B2 | RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT |
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B2.1 Resource development

This area was not part of the audit scope.

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| B3 | LOGISTICS, PROCUREMENT AND FLEET |
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B3.1 Procurement

Charter flights

Charter flights have been used for the carrying of relief items as part of the emergency response to Haiti, Peru/Ecuador and Dominica operations. The use of charters is sometimes the best option to ensure goods are transported quickly to the operations. However, the costs of individual charters are extremely high.

In 2016 and 2017, the Americas Regional Office procured charter services in a total amount of USD 758k to transport goods. Recent charters have been higher as they were procured via brokers. Even though this saves the IFRC time, there are costs and contract risks associated with brokers. These companies prefer not to enter into strategic partnerships, meaning each charter will be quoted on a case by case approach and sometimes without knowledge of the practicalities. This contributed to issues experienced with the 2017 Hurricane operations and being able to transport the amount of goods required to relevant islands in the Caribbean.

Framework agreements, including Vendor Consignment Inventory (VCI)

The auditors noted significant differences in the prices of purchased commodities by logistics, such as hygiene kits. The key reason is that prices for hygiene kits are double when bought in Central America, compared to the Spanish or Asian markets. Central American suppliers are used during an emergency response because the delivery time is considerably shorter, which is justified for the operation. Yet, the IFRC could save costs by improving their approach to stock management with a mix of global purchasing, the use of localised agreements and having VCI arrangements. The absence of regional or local framework agreements with potential/identified international suppliers for certain relief items, such as hygiene kits or shelter kits, naturally lead to increased costs when buying from local suppliers during emergency operations.

Request for quotations

During our sample testing of procurement files, it was noted that charter suppliers were given a very limited time to quote for IFRC procurement requests (e.g. less than 24h). Too short a period may jeopardise the quality and quantity of the bids received. This may lead to non-compliant or a lack of bids which in both cases may severely hamper genuine competition and/or appropriate contract implementation. The impression of gaining time by reducing the bidding

period is usually by far exceeded by the time lost during the evaluation of "ill-prepared" bids and/or by having to re-launch the bidding procedure.

Other issues identified with the procurement file testing

8 procurement files were tested with the total amount of CHF 1.2 Million. Identified issues are reported in different sections of this report (e.g. signature authorisation, stock planning etc.). Other issues were also noted:

- Procured items may be delivered in different tranches (for example days, or to different locations) resulting in many deliveries with different Goods Received Notes (GRNs). For some of the procurement files, it was not possible to fully match the GRNs with the quantity of items invoiced or included in the purchase order, especially when attempting to confirm the VCI goods transported to field locations;
- "Notes to the file" were issued to document some exceptions, however these notes were not dated and therefore it is impossible to know when they were issued;
- A few incorrections in the logistic requisition dates input into HLS were identified.

Risk(s): Ineffectiveness; Inefficiency

Cause(s): Oversight/guidance

Recommendation 6

- a) A detailed cost/efficiency/value analysis for the use of charters is performed. Agreements with companies providing transport services is sought (for example, DHL). Other options such as appropriate contingency plans, well-established pre-positioned stock planning and signing framework agreements with international/regional/local suppliers (including for e.g. VCI agreements for Hygiene Kits and Shelter Kits) are prioritised to reduce the need of using costly charters in response to some emergencies (refer also to recommendation 7a));
- b) Minimum bidding times are established by the Regional Logistics Unit. An assessment of the type of goods and complexity of the services and its duration is performed, when defining the number of days between request for quotation and bid submission;
- c) Ensure logistics requisition dates are correctly input into HLS;
- d) Ensure procurement files are complete, all GRNs are obtained, referenced and matched with the POs/Invoices and notes to the file are dated.

Management Action Plan:

- a) Charter Flights - The analysis is only based on the economical aspect of it. The urgency of the help, the impact and visibility of the urgent support produce with in the NS and the National Authorities as well as the international humanitarian Community, are intangible part of the benefits of the quick reception of relief materials. This also need to be analysed with in the capacity of the NS and the context of the emergency. The preposition of relief stocks could reduce the use of charter flights, as it has shown in Americas region, but there are not enough financial resources to put stocks everywhere and the capacity of the NS to take care and good use of them is not yet in all NS. The work with charter brokers, reduce the risk as they assume the pre-payment to the airline, and coordinate the communication, brokers also know better the aircrafts availability than us. The risk of the charter flights are the damage clauses on RFQ and PO/Contract that are minimum and brokers and airlines does not accept them. That is something that globally could be improve.
- b) Request for quotations - Normal bidding time is a week, but in transportation, specially charter flights we shorten it, even to less than 24 hours in some cases, when we are re-bidding because of change of destination or payload, where the suppliers have already some information and just need to be corrected or verify. On top of that once a year during summer we ask transportation suppliers to update us with the approximate cost and itineraries of the most common routs for us. The small bidding time are the exceptions. We will check with suppliers the minimum acceptable bidding time for urgent transportation as the charter flights.

- c) Already discussed with the staff, and LRs are now recorded in HLS by the logistics team as part of the acceptance of the request and forwarded to procurement unit.
- d) Before proceeding with the payment of invoices the full package is send with the payment requests. Only nonstandard procurement files are completed and checked later. Special remark was sent to the procurement staff on this point.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Regional Logistics Unit Coordinator

Due Date: March 2018

Priority Rating: High

B3.2 Fleet Management

There is nothing to report.

B3.3 Logistics and Warehouse Management

Disaster Crisis Management unit (DCM) vs Procurement/Stock planning

There is lack of planning and coordination between the Disaster Management Crisis unit and the Regional Logistics unit in Americas on the quantity, the type and the location of pre-positioned stocks in the region, which increases the risk of obsolete and/or unnecessary stocks. Strategic stock management has not been established and pre-positioned stock planning is performed ad-hoc.

Furthermore, during emergencies, goods and services are used to deliver assistance to beneficiaries at high cost which could be reduced if there was a risk assessment and a strategy in place on emergency operation transport and stock management (refer to observation under section B 3.1 in this report).

Pre-positioned stock management

Currently, the Americas Regional Office has prepositioned stock placed in three National Society warehouses in the following countries: Nicaragua, Honduras and Guatemala. However, the warehouses have not been properly assessed (Honduras and Guatemala warehouses were visited in 2016, but the Nicaragua warehouse has not been assessed). Furthermore, information regarding stock counts is sent every six months by the National Societies. These stock counts are never independently verified by the Regional Logistics Unit, increasing the risk that the information is inaccurate due to missing or damaged items.

Finally, the agreements that were previously signed with the respective National Societies, regarding the above pre-positioned stock, expired in 2014.

Risk(s): Inefficiency; Fraud/misuse

Cause(s): Oversight/guidance

Recommendation 7

- a) The Regional Logistics unit management meets with all managers who utilise stock during operation or programming to document a stock needs assessment. This information should be collated to complete an analysis of options based on cost/efficiency. A report should be presented as a business case of likely scenarios and the best methods for stock planning (for example prepositioning, procurement tactics and/or VCIs) based on value, speed and flexibility. Finally, stock management strategy and planning are established in coordination with the Geneva Logistics department;
- b) Ensure that a contract and/or agreement is signed with the respective third party holding any IFRC stocks (currently the cases of Honduras, Guatemala and Nicaragua RC);

- c) Assessments of all warehouses, where IFRC pre-positioned stocks are kept, are performed and documented by the Regional Logistics Unit (RLU). Furthermore, pre-positioned stock counts are checked as per IFRC guidelines, including a RLU physical verification on a regular basis.

Management Action Plan:

- a) Regional stock strategy is the process to get that information, but the involvement has not been sufficient from other departments. The regional stock strategy will be the input for the global one, and part of stock fund will be allocated to the regions to implement. VCI stocks are negotiated only to be in Panama but Federation owned Stock could be preposition anywhere. Regional Frame agreement for VCI could also be a possibility to be explore. The routine to review stocks levels and adjust it jointly with DM has not been in place, and probably the piece needed.
- b) The stock strategy and the re-evaluation of the sub-regional stock will ensure that will be done before we replenish stocks in any the NSs. That will be done during the first part of 2018th.
- c) Warehouse manager trip to NS where we have stocks need to be budgeted and the annual physical verification standardize for 2018th.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Regional Logistics Unit Coordinator

Due Date: March 2018

Priority Rating: High

Late invoicing to third parties

The Americas Regional Logistics Unit (RLU) provides logistics and procurement services to the IFRC membership (e.g. British RC) and other external third parties (e.g. OXFAM). IFRC invoices the partners based on services provided, including all costs and respective fees. However, it was noted that IFRC invoicing is sometimes delayed due to internal challenges in accounting for banking fees (related to Standard Chartered Bank, who gather transaction charges only at month end). At the time of the audit, the Finance unit was aware of these constraints and was seeking a solution to minimise delays.

Daily workers management

Daily workers payroll process at the warehouse is controlled by one individual, the warehouse manager. Records are maintained and verified later by his line manager (logistics Manager). The Human Resources unit has no file with the identity or history of the daily workers and payment is also not monitored/validated independently. There is a risk that IFRC staff and systems would not be safeguarded if there was an issue with the warehouse staff. As their warehouse will be in larger premises soon, it is an opportunity to improve the system in time for potential employment of more daily workers.

Risk(s): Inefficiency; Fraud/misuse

Cause(s): Oversight/guidance

Recommendation 8

- a) Issues identified with the late invoicing of the Americas Regional Logistics services to a third party are documented and shared with senior management and the Regional Finance unit, seeking to find a solution to minimize the respective delays;
- b) The Regional Logistics Unit in coordination with the Regional HR Unit ensures that a robust registration and payroll system of warehouse daily workers is established.

Management Action Plan:

- a) The documents will be done, and case discussed by March 2018th.

b) Case will be discussed jointly and measures to reduce risk will be identified.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Regional Logistics Unit Coordinator

Due Date: March 2018

Priority Rating: Medium

B4

SECURITY

B4.1 Security Framework

This area was not part of the audit scope.

SECTION C – OPERATIONS SUPPORT

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| C1 | FINANCE |
| C1.1 Financial Management and Oversight | |
| <p><u>Risk and trend analysis</u></p> <p>Finance Analysts are expected to perform data analysis and reviews on various financial and operational information. However, the Finance Analysts are not performing any type of trend analysis of programme financial data and/or risk analysis of financial or accounting information. Analysis is the core purpose of the role and there is a risk that this lack of review exposes the IFRC to continued inefficiencies/ineffectiveness in internal control processes or potential fraud or corruption.</p> | |
| <p><u>Finance analyst balance sheet(s) review and follow up</u></p> <p>The auditors checked the analysts’ monthly review of delegations’ balance sheet accounts and the respective monitoring and follow up performed. The following deficiencies were found:</p> <ul style="list-style-type: none"> • Issues identified and questioned by the auditors regarding dormant balances and/or some account balances in different balance sheets were not always known or not timely followed up by the analysts; • Delegations’ monthly accounts are closed with basic accounting mistakes/inaccuracies (for example, incorrect working advance provision or clearance account not zeroed); • The analysts, when performing the accounts review (e.g. finance check list B), identify issues that need clearance or correction. However, no documented follow up was found in the files. There was no reply from the Delegation finance staff or confirmation that identified issues were rectified. Consequently, some issues remain unresolved for consecutive months or even more than one year (for example, dormant bank account balances, current account balances, minor balances in various accounts); • Check lists are reviewed without indicating the date when the review was performed and whether this was timely; • Balance sheet print-outs are not attached to the monthly check lists, so the figures checked can only be assumed; and, • Late document review and checking performed by the analyst for Lima and Argentina delegations. The reasons for such delays or the action plan to resolve any found issues were not documented. <p>Furthermore, during our visit to the Lima Office, the auditors noted that financial transactions are not processed in the IFRC accounting system (CODA) in a timely way, such as daily or weekly. Most key transactions are posted at the month end. Consequently, accounts reconciliation and accounting control processes are undertaken under pressure at the month end deadline, causing unnecessary mistakes/errors and potentially delaying the month-end accounts’ closure. Finance Analysts were not aware of this trend and therefore this could be the case in other Delegations/Offices.</p> | |
| <p><u>Balance sheet for the Americas Regional Office</u></p> <p>A review of the Americas Regional Office balance sheet as at September and October 2017 was performed and the following was noted:</p> <ul style="list-style-type: none"> • Various account balances need to be followed up to ensure clearance/closure; Unreconciled or uncleared balances increase the risk of mistakes being missed and/or not resolved within a timely period; • There are a few supplier accounts with a debit balance. Some of these balances are related to supplier advance payments, but others are caused by a supplier payment being processed before the account payable commitment is booked (SPI). The Regional Finance manager was in the process of identifying the reasons for such accounting gaps. | |
| <p><u>Expenditure testing</u></p> | |

A sample of 78 expenditure transactions were reviewed to assess authorisation, completeness, accuracy and the adequacy of documentation to support entry into CODA.

Overall, expenditures are adequately supported and approved, recorded in the appropriate accounts, input into the system at the correct amount and booked into the correct accounting period. There were examples where supporting documents were not all attached to the relevant transaction sign off or contained errors, particularly for WANS. Some of these expenses have been selected for further extensive testing to analyse the suppliers used in the procurement files. Follow up will be coordinated with the Regional Finance Unit.

Risk(s): Asset/financial loss; Fraud/misuse

Cause(s): Compliance; Oversight/guidance

Recommendation 9

- a) Monthly risk and trend analysis of programme and accounting data is performed by the Finance Analysts, and shared with respective managers as appropriate. Criteria for sample checks and tests are pre-established to ensure consistency in the analysis;
- b) Finance Analysts thoroughly perform the monthly balance sheet review/analysis (finance check list A), as well as follow up and monitor the delegations accounting performance, ensuring that:
 - Dormant and unusual balances are identified and immediately resolved;
 - Delegations' monthly accounts are not closed in CODA with basic accounting mistakes/inaccuracies (for example, incorrect working advance provision or clearance account not zeroed (2991));
 - Financial transactions are processed in CODA on a regular basis (daily, or at least, weekly basis);
 - Financial checklists indicate the date or confirmation when the review was performed by the analyst, and balance sheet print-outs are attached to the check lists;
- c) The Regional Finance Unit manager establishes an internal control mechanism to ensure that all Finance Analysts review the delegation's monthly files within one (maximum two months) of closing the accounting period (e.g. files from June should be checked by middle of August);
- d) The Finance Analysts, when performing the monthly files sample review (finance check list B), report and document all identified issues that need clearance or correction and ensure they are resolved within the next accounting period. Any implementation delays are escalated to the Regional Finance Manager for further action;
- e) The Panama balance sheet is thoroughly reviewed and an action plan to resolve all outstanding issues is prepared and followed up monthly with action points, owner of the action and a clear deadline for resolution;
- f) The invoice management work flow is assessed to identify the cause of some late supplier invoice bookings (accounts payable SPI document) and the process re-designed and/or actions implemented to prevent further issues.

Management Action Plan:

- a) There are monthly checks that are performed by the finance analysts of both the finances and the accounting. There is a checklist that has been updated to include a section to review additional financial related matters. The finance analysts are performing deep analysis which has allowed to prevent / identify irregularities in the offices and in the National Societies as well. All these findings have been reported to the management and the OIAI. Recently there has been a report that has been developed to monitor the forex performance of the currency revaluation of the cash and bank. Hence following the recommendation of the auditor, additional trend analysis will be developed to provide more analytical information to the users.
- b), c) and d)

It is important to highlight that the issues mentioned about basic accounting mistakes have been reported in most of the cases and they have not been solved on time by the delegations. The analyst in the Regional Office based in Panama sent details emails to the different finance staff to request corrections. In some instances, the required

corrections are mentioned so it can be fixed. But to provide evidence of it, it will be requested to the finance analysts to attach the emails to the checklists in these cases. The staff based in other offices used to send an email with comments to the findings submitted by the analysts. These emails usually incorporate the balance sheet with the comments of the actions or explanations of the case (e.g. Haiti). It will be discussed with Geneva Finance and other regions what are the usual trend analysis that they are performing to ensure consistency of the approach. It will be requested from now on that the finance analysts indicates the date of submission of the checklist as it has been mentioned. The balance sheets are not usually attached to the checklists as they are save electronically. However, it will be requested that it is printed and attached to the balance sheet as it has been suggested.

The finance analysts will continue following up about the dormant balances of the delegations. If there is an issue that has not been solved in 2 months' time, it will be escalated to the Senior Management Team. As part of the review, the Finance Manager will ensure that all the basic tasks of the month end closing have been completed through the review of the exception reports, balance sheet and other financial reports before closing the companies.

- e) The Panama balance sheet is reviewed in detail monthly. There are known cases previously informed (e.g. Nicaragua bank account which has been reported to legal and finance in Geneva due to the resistance of the bank to close the account, advance given to an employee based on the future termination benefits once the contractual relationship is terminated, small balances write off which will be book in the accounting system prior the due approval process, outstanding invoices of Panama RC, etc). The cases that require a management decision will be escalated to the SMT with a proposal to seek a final decision. One staff has been identified to continue the collection process of the personnel accounts.
- f) As it was previously informed, there are suppliers with debit balance since advance payments have been done and hence they have been booked towards the liability accounts. When the invoice is received, then it is booked towards the same account. So, there will be a gap between the advance payment and the reception of the invoice. However, there are instances in which the time of this gap is excessive (e.g. IT procurements, hotels to mention the usual ones). So, a review will be done of the process to ensure a reduction of the time between the payment and the booking of the final invoice. Most of the debit balances have been cleared so far due to the booking of the invoices as it was previously explained.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, Finance and Administration

Due Date: March 2018

Priority Rating: High

C1.2 Partner working advances and cash transfers

Balances and reconciliations

It was noted that working advance amounts to National Societies (WANS) have not been transferred in CHF, as per IFRC procedures. The Regional Office Finance and Administration manager has initiated a process to convert all current working advances in USD into CHF. The process is expected to be concluded in the beginning of 2018.

Risk(s): Asset/financial loss; Inaccurate/late reporting

Cause(s): Compliance; Oversight/guidance

Recommendation 10

Ensure that any new working advance made to National Societies are issued, accounted for and reported in CHF, as per IFRC procedures. Current working advance balances in other currencies should be cleared/justified and the respective accounts closed.

Management Action Plan:

The process was initiated after the 2016 yearend close in the Panama Regional Office. The process was tested successfully, and it was notified to the other offices to start the process. It was decided that no conversion will be done for accounts with balances coming from previous year or advances that were sent and have totally or partially cleared. Right now, the booking is being done in CHF and the goal is to have all the balances of the working advances balances of the National Societies shown in the balance sheet in CHF for the yearend close. So, all the working advances will be transferred and cleared in CHF during 2018 and onward in all the active offices in the Americas.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, Finance and Administration

Due Date: March 2018

Priority Rating: Medium

C1.3 Staff working advances

Working advance to delegates and national staff - WAD (1444/1454) and current account balances (1443/1453)

A review of national staff and delegates' working advance (WADs) and current account balances was performed. Cases were identified where working advance amounts are not being immediately cleared by the member of staff after returning from each mission. As a result, such balances are carry forward to the next month and/or to the next working advance.

Account statements are not consistently sent to delegates/national staff to inform/confirm their balances at month-end. It is possible that some staff may not be aware that they have a balance to be cleared.

Dormant amounts over three months related to current account (1443) were also noted and awaiting to be resolved.

WAD ceilings

Ceilings have not been established for WADs. Although the financial procedures do not require mandatory establishment of WAD ceilings, the auditors noted that some delegates/national staff are holding considerable amounts of cash per month (> CHF 3'000). The holding of such balances has not been thoroughly analysed to assess if they are based on real operational needs. This may lead to staff holding unnecessary amounts of cash increasing the risks of fraud and financial loss for the IFRC.

Risk(s): Inaccurate/late reporting; Fraud/misuse

Cause(s): Compliance; Oversight/guidance

Recommendation 11

- a) Americas Regional Office Finance unit reinforces the working advance and current account reconciliation and clearance mechanisms to ensure that staff immediately report expenditure for outstanding working advance amounts after returning from each mission/travel and clear any other current account outstanding balances. All receipts from working advances and the remaining cash balance should be returned and processed before a new working advance is issued;
- b) Ceilings for working advances are established based on a cash flow analysis of working advance holders as well as their cash needs assessment.

Management Action Plan:

- a) From now on all the staff will only receive a new working advance if the previous balance has been cleared. No new working advance will be given if there is an outstanding balance. It is important to rectify that the account statements to the staff have been sent to the delegates/national staff during the month end. However, it has been detected that in some months it has not been done. A different approach will be implemented to avoid the submission of emails which does not result to be effective in some cases. The printing and meeting with the staff has been more effective and this will be preferred practice. The balances of the delegate personal accounts will

be submitted to Geneva HR for payroll deduction from now on. There is a case for which a plan of deductions has been approved by Geneva HR and it has started already.

- b) An analysis of the amounts and frequency of working advances will be done to assess a reasonable amount when staff needs to travel. It will facilitate the comparison towards the amount that is requested.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, Finance and Administration

Due Date: March 2018

Priority Rating: Medium

C1.4 Petty Cash Management

Petty cash processes

Petty cash counts are performed during the last day of each month. However, the cash counted always differs from the balance in our accounting system CODA because some final day cash transactions are only processed in CODA the following day. Furthermore, copies of supporting documents related to unaccounted cash transactions are not attached to the cash count signed form as evidence.

Risk(s): Asset/financial loss; Fraud/misuse

Cause(s): Oversight/guidance; Procedures/guidelines

Recommendation 12

A process is established to ensure that month-end cash counts are performed only when all petty cash transactions are posted to the books in CODA, to avoid unnecessary differences when reconciling amounts.

Management Action Plan:

The petty cash count is performed by the end of the month. Hence it includes the available cash (dollars and coins) as well as the expenditures that have been paid out of the petty cash and that could not be reimbursed during the month. The sum of the cash and the total invoices matches with the established amount in the petty cash without difference. There is a journal of expenditures that is used to register all the individual payments done through the petty cash which allow to verify the balance every day. A copy of this document can be attached to the petty cash count for evidence. However, we suggest that if the reimbursement of the expenditures cannot be done within the month and hence there are expenditures paid and not reimbursed, all these expenditures are booked into the accounting system within the period. It will allow that the balance in CODA matches with the amount physically counted by the end of the month. In this way, the petty cash count document will show the amount in cash plus the expenditures paid. The paid expenditures will be booked in the period and the balance in CODA will be equal to the amount of cash that was counted.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, Finance and Administration

Due Date: January 2018

Priority Rating: Low

C1.5 Bank Management

Dormant bank accounts

Three bank accounts have been dormant, in a total amount of approximately CHF 8'500, for more than one year due to problems with signatories to the accounts. Signatories had left IFRC/the relevant countries without a handover of banking responsibilities.

A further bank account, opened on behalf of a partner National Society in Lima, also has been dormant for many months. Correspondence between the Andean CCST office, the Regional Finance Unit in Panama and the partner National Society representatives (which are now based in Panama) has been on-going.

Keeping dormant bank accounts exposes the organisation to financial costs/losses, including bank fees and exchange rate currency revaluation costs.

Original Bank Statement

The Americas Regional Office operates one USD bank account in-country. Bank reconciliation is performed at month-end by the Finance Officer, based on an electronic bank statement. The original bank statement is received later in the month and attached to the reconciliation. However, the original bank statement is not matched and signed with the electronic copy by the Regional Office Finance and Administration Manager to ensure they are the same as the soft copy previously extracted. The lack of independent review of the original bank statements increases the risk of un-detected mistakes, errors and/or fraud.

Risk(s): Asset/financial loss; Fraud/misuse; Inefficiency

Cause(s): Oversight guidance; Procedures/guidelines

Recommendation 13

- a) Immediate actions are taken, on a case by case, to either re-activate and/or close all dormant bank accounts;
- b) The Americas Region Finance and Administration manager should share a list of individuals with bank account responsibilities with Human Resources. In turn, the Americas Regional Office Human Resource manager should inform Finance of the resignation or change of role of any individual with bank account responsibilities so that Finance can commence procedures to amend bank responsibilities and signatories.
- c) The Regional Finance Manager must sign and ensure that the original bank statements are exactly matching the soft copy used by the Senior Finance Officer to perform the monthly bank reconciliations.

Management Action Plan:

- a), b) Some comments to provide more context as follows:
- Bank accounts in Banco de la Produccion – Nicaragua: the bank representative has refused several times to close the account since the former regional representative is the only person who can close the account. She did not recognize the closing bank account sent from Geneva. This case has been escalated to treasury and legal units considering all the efforts that were done without a positive response of the bank. The lawyer conducted a process to change the former regional representative which has been done. The actual Head of Country Cluster visited the bank to register his signature. We expect that the bank accounts can be closed within the first quarter of 2018. The Regional Finance Unit finance analysts have been on top of this case.
 - Bank accounts in Davivienda – El Salvador: it was detected a breach to a financial procedure by a former staff in El Salvador. It was instructed to stop the use of this account until a new finance officer was recruited, trained and in place. The staff is already in place and we contacted the bank to verify the status of the accounts. The bank officer informed that the accounts were frozen because the time that they were not used. We requested the reactivation and surprisingly the bank officer informed the current authorized signatures who were not the last ones that we requested through the letter from Geneva. A meeting was held with the bank representative and the letter was provided to update the signatures. Considering the lack of professionalism of the bank representative, it was notified that we will be closing the accounts. We have started the process to do so, but now the bank is requesting several documents that have delayed the process. One of the finance analyst will follow up the process to ensure that the bank accounts are closed as soon as possible. The balances will be transferred to Geneva and new accounts will be opened with another bank institution.

c) The process of verification has started and has been completed.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, Finance and Administration

Due Date: March 2018

Priority Rating: High

C2

HUMAN RESOURCES

C2.1 Recruitment, job specification and classification

Emergency Operations recruitment

A HR roster of potential staff for urgent deployment in times of emergency has not been developed/maintained at Regional level. Consequently, the process to identify and deploy experienced delegates is time consuming and, in some circumstances, inadequate. For example, there has been high rotation of the Head of Operations/Operations Management for the Haiti Hurricane Matthew Operation since the beginning of the emergency; 6 different people were deployed within 9 months. Furthermore, first time delegates, with no IFRC experience, were recruited during the Emergency Operation with limited briefing/inductions, increasing the risk of non-compliance with IFRC procedures and processes (e.g. there were issues related to skills and competences of one Operations Manager and the Shelter Delegate, leading to early termination or no-extension of their contracts).

Recruitment processes

The following issues were identified after assessment of HR recruitment files:

- Two consultants for the Zika operation were hired for a total period of one and half years, with 7 consecutive contract extensions. Both consultants were hired with the justification that they were the only option ("sole source provider") which avoided the required standard selection process;
- Another member of staff has been hired as a Finance Officer for the Zika Operation under a consultancy contract since 2016. This individual was previously working in an IFRC Country Office with a national staff contract. There was no documented justification for the issue of a consultancy contract instead of a national staff contract, considering that the individual is still based in the same country performing financial tasks, rather than providing consultant services. The main reason given for the decision behind using a consultancy contract was due to financial advantages for the employee;
- A fourth individual was hired as a consultant to perform communication tasks for the Zika Operation, with an initial contract signed from November 2016 to March 2017. In April 2017, a national staff position was opened in the Americas Regional Office. The individual was hired as communication focal point to support Zika operation from April 2017 to February 2018 on a national staff contract. However, in July 2017 the staff officially resigned her post to return to a consultancy contract for the Zika Operation, this time providing both communication and PMER services. The current contract ends in December 2017. The main reason identified behind the decision of providing a consultancy contract was due to financial advantages for the employee;
- One consultant was hired as short-term staff in 2016 to temporarily perform a coordination function. In the beginning of 2017, a national staff position was opened for that function and a recruitment process initiated, as per IFRC procedures. The requirements for the position (i.e. job description) are extremely detailed and specific, which can be perceived as directly matching the skills and competences of the consultant. Therefore, the job description and guidance on the role could have potentially limited candidate's interest and the number of applications. Furthermore, it could have also impacted the selection process. The consultant had the hiring manager as one of the 3 referees in their CV, who was also part of the selection panel. There is no evidence of this conflict of interest being considered or disclosed. Finally, the interview panel was only composed of 2

persons (the hiring manager and the HR manager), instead of having at least 3 panel interviewers (a note explaining the reason for having only two people on the interview panel was not found);

- The recruitment of one intern has been performed without following the Internship Procedures, resulting in the absence of a transparent recruitment/selection process. The individual started the internship without clearance and 'contract' offer from HR. The intern was not hired based on identified needs, but based on the needs and expectations of the intern. The terms of reference of the role are still unclear; the main purpose of the internship is 'for staff own development'. A second intern was also hired without going through the expected selection process.

Even if the individuals in the cases above have the necessary skills and competences to perform their role, non-compliance with standard procedures and the lack of consistently following transparent recruitment practices undermines their position in the IFRC. Managers can be perceived as manipulative and outcomes as nepotism. Such lack of process not only affects the reputation of the organisation and its objectives, but also the working environment and dynamics with other staff working in the same offices.

Risk(s): Inefficiency, Reputation

Cause(s): Compliance; organisational culture; oversight/guidance

Recommendation 14

- a) The Regional HR unit in cooperation with all various programme and support services departments establishes a roster of staff that are willing and have the proven skills and competences to be deployed to Emergency Operations in the region (both during the response and recovery phases);
- b) Recruitment practices are reviewed, namely:
 - Ensure the IFRC Consultancy Procedures are fully implemented, in particular "consultancy contracts are only issued for functions which fulfil the definition of a consultancy", and, *quote* "...the Terms of Reference are clear, contain concrete deliverables and/or finite results, and a realistic timeline." *unquote*;
 - Ensure the IFRC Internship Guidelines issued in 2017 are fully implemented. As per guidelines, internship positions should only be opened, *quote* "...to respond to resource needs of the organisation..." *unquote*. Furthermore, *quote* "Interns are selected on a competitive basis..." *unquote*;
 - Ensure that recruitment processes, in general, for any type of position (international staff, national staff, consultant, temporary staff or intern) are performed on a transparent and fair competitive basis, disclosing conflict of interests when appropriate.

Management Action Plan:

- a) The HRD for the Americas will adjust its current organizational structure to incorporate a dedicated (100%) function – Human Resources in Emergencies. Among other duties and responsibilities, this function will also contribute to the surge optimization process, which includes the establishment of a roster of competent staff for deployment to emergency operations.
- b) Recruitment practices are addressed as follows:
 - Currently, the HRD for the Americas is revisiting the procedure for the contracting of consultants, templates and tools have been revised to reflect actual needs and expectations within the contracting process, as well as the development of two (2) flowcharts for the contracting procedure and approval process on E-Contracts.
 - The IFRC internship guidelines have been implemented following the most updated version released at the beginning of 2017. Implementation of these guidelines will be reinforced consistently across the region; especially, the need to open internships as per organizational needs through a competitive process outlined in the internship guidelines.
 - Generally, all recruitment processes for any type of position are conducted transparently and fairly, a form

named: Interview Panel Guidelines and Panelists' Undertakings is in place to seek panelists' disclosure of any conflict of interest as appropriate.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, HR

Due Date: March 2018

Priority Rating: High

C2.2 Starters, leavers and performance management

Induction

An induction process should be followed every time a new member of staff is hired. This provides consistency for each new starter and a reminder of the key tasks to be completed by Human Resource or line managers. However, this has not been consistently documented. A starters/induction checklist has been established but not consistently used.

Objectives 2017

53 out of 73 staff in Americas Regional Office have concluded their objective setting for 2017 As per information provided by HR. There were still 15 staff for which 2017 objectives were not established and 5 staff with objectives established but not completed as approved by their line manager.

Training

The Americas Regional Office has been improving their completion rates of IFRC obligatory training such as "Stay Safe" (by the end of October 2017, 151 out of 198 staff in Americas Region registered in e-learning platform, had completed the course).

However, it was noted the limited completion of other relevant and important e-learning training such as Fraud & Corruption Prevention (only 33 members of staff have completed this course) and the Code of Conduct e-learning course (completed by 71 members of staff).

Furthermore, as a follow up of the latest Staff Survey performed in 2017, an action point had been agreed to provide a refresher session on Code of Conduct related issues and its reporting mechanisms. At the time of the audit this session was yet to be planned and concluded.

Risk(s): Inefficiency; Ineffectiveness

Cause(s): Compliance; Oversight/guidance

Recommendation 15

- a) The starters/induction checklist is used and completed, to ensure that a proper on boarding process is conducted, including a list of briefings, administrative arrangements and a list of received assets (which could be reconciled/combined later with the asset clearance form upon staff departure). The checklist should be documented and signed off by the staff/line manager that the induction process was completed satisfactorily and be kept in the HR file as evidence;
- b) Establish an internal monitoring mechanism to ensure that all staff complete the 2018 Objectives as per established deadline;
- c) Staff are encouraged to complete relevant/obligatory IFRC e-learning training modules such as for e.g. Fraud and Corruption Prevention Training and Code of Conduct, as part of their 2018 Objectives, and a mechanism is established to monitor compliance.
- d) A refresher session on the Code of Conduct reporting mechanisms is run for all staff, as per the staff survey results.

Management Action Plan:

- a) A starters/induction checklist was developed and implemented as part of the recommendations stemming from a former audit report. The HRD for the Americas will ensure the starters/induction checklist is used consistently with every single new hire without exceptions. This will also consist on having new hires and hiring managers sign off the referred checklist and clearance forms when onboarding and leaving the IFRC.
- b) A similar mechanism implemented in 2017 will be put into gear for the full completion of 2018 objective setting process by IFRC users in the Americas. This will consist on weekly reminders and technical support to users as requested before deadline.
- c) A campaign was initiated in 2017 to encourage staff to complete the online essential courses on the learning modules of IFRC's learning platform. This campaign will be more recurrent in 2018 to ensure that mandatory course such as: stay safe – personal security and security management, CoC and Fraud and Corruption Prevention courses are duly and completed by staff as part of their learning objectives in 2018's cycle.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, HR

Due Date: March 2018

Priority Rating: Medium

C2.3 Leave management

Leave request forms are adequately filled in and signed off. A national staff leave monitoring table is maintained. However, the leave monitoring table was inaccurate (two incorrect figures were identified out of seven balances tested). In addition, it was noted that some national staff have been accumulating holidays over the last few years due to the national staff policy, with some accounting for over 50 days of unspent leave. Currently, there is no process to regularly report leave balances to line managers and to reinforce the need of staff to take their annual leave.

Increasing leave balances and inaccurate processing creates several risks including the reliability of leave positions, lack of 'time out' of work, overreliance on specific individuals and in the worst-case scenario, fraud.

Risk(s): Inefficiency; Ineffectiveness

Cause(s): Compliance; Oversight/Guidance

Recommendation 16

Ensure the leave monitoring table is kept up to date and the data input is compared with the approved leave forms at the end of each month. The leave monitoring table should be shared at least on a quarterly basis with line managers and staff encourage to take their leave within the respective calendar year. Furthermore, a specific leave plan is established, aiming to reduce the high amount of unspent leave of some staff.

Management Action Plan

Since the beginning of 2017, the HRD for the Americas has been assiduously monitoring leave balances by sharing monthly with department managers and heads a table of staff leave balances. This monitoring mechanism has greatly minimized the risk of having staff with high unspent leave balances. Since this method has proven effective, it will be kept for 2018 until a software solution is implemented.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, HR

Due Date: March 2018

Priority Rating: Medium

C2.4 Labour law, staff regulations and contracting

Contracting of staff

The following contracting issues were identified from the sample of personnel files reviewed:

- Some type of contracts issued are not in accordance with IFRC standard contract policies. For example, a 'Service Agreement' was signed with one staff member in June 2017 (he had previously a standard national contract up to April 2017), to circumvent operational challenges (position was not approved by the Head of Logistics). The service agreement ends in January 2018;
- Another member of staff was contracted on a service agreement basis through the Lima office and deployed as a Logistics Officer (Delegate) to Ecuador. This approach presents significant reputational and legal risks, as it could create inequalities when compared to standard international staff contracts and access to benefits;
- Thirteen expatriate staff based in Panama have been contracted with the granting of a work permit by the Government of Panama still in progress. The contracts state that staff are, quote: "... contracted for a period of one year once the work permit is obtained". If the work permit authorisation from the Government is obtained after 4 months, the contract technically will be valid for a period of 16 months instead of one year. This unofficial extension could lead to operation and budget constraints. Furthermore, there was no termination clause to protect the IFRC in case the staff's work permit request is refused by the Government.

Staff regulations

Staff regulations are not in place for Cluster offices (the Lima and Trinidad and Tobago Cluster were in the process of finalising them). Furthermore, there are staff based in other offices/locations for which staff regulations have not been defined (Ecuador, Colombia, etc). For example, there are two Ecuadorian nationals and one Colombian national working at IFRC Ecuador office, contracted by Andean CCST office. However, it is not indicated in their contract which staff regulations applies to them. The Americas Regional office had not ensured that staff regulations had been completed and in place earlier.

SAP/HR database

The Americas Regional Office has provided the auditors with a consolidated list of all staff (international, national, consultants, etc) hired by location in the Americas Region. The excel file provided to the auditors was inaccurate. Instances identified included:

- The type of contract indicated did not correspond to the type of contract signed. For example, staff identified as consultants had instead signed a 'service agreement';
- The location base was incorrect (e.g. staff indicated as based in Peru but are based in Ecuador).

The database accuracy is reliant on information registered in SAP by both staff in Panama and other office locations. However, copy of employment contracts are not required or requested by the Panama HR team to ensure the data processed in SAP is accurate. This could lead to incorrect assumptions. The best examples of this are in the Lima Cluster Office where two national staff did not have an updated signed contract, indicating their last change of functions/grades. Meanwhile, a third member of staff had never signed a contract since starting with the IFRC in 2008. Again, the Americas Regional Office were not aware of this gap in contract documentation.

Risk(s): Legal Liabilities; reputation, financial/asset loss

Cause(s): Compliance; Oversight/Guidance.

Recommendation 17

The contractual situation of all staff is reviewed, in consultation with Senior Management and Legal unit in the Americas Regional Office. In particular:

- a) A complete review of all existing contractual obligations with staff is performed to ensure the modalities (type) of contracts are in accordance with IFRC standards and in accordance with the duties being performed;
- b) The practice to contract staff without a working permit is discontinued. For the existing thirteen contracts mentioned above, a specific contract end date should always be stated in the contract;
- c) Ensure all hired staff (national staff) are covered by an up to date and approved Staff Regulations;
- d) Strengthen the process and control mechanisms to ensure accuracy and integrity of personnel data entered into HR SAP database. Any changes to personnel data (type of contract, salary amount, function, contract date extension, etc.) must always be supported by a copy of the signed employment contract.

Management Action Plan:

- a) The HRD for the Americas will review the current staffing modality is commensurate with IFRC contractual procedure and correct any anomalies encountered.
- b) The HRD for the Americas will ensure that staff hired for positions under the national scheme comply with legal requirements and therefore proof of migration status is submitted as part of the application requisites.
- c) The HRD for the Americas will follow-up with Country Cluster Support Team office and other Federation offices to ensure they are compliant with the implementation and/or update of staff regulations.
- d) The HRD for the Americas will ensure that changes/updates performed in all HRIS are based on official paperwork, supporting decisions affecting employee work cycle within the IFRC.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, HR

Due Date: March 2018

Priority Rating: High

C2.5 Personnel Files

Seventeen national staff files were reviewed – 4 delegates, 7 national staff, 4 Consultants and 2 Interns.

The following documentation was missing:

- One job description;
- A signed Code of Conduct and IT acceptable user policy (three missing);
- Security Regulations (eight).

Other issues were identified, which are referred in the Recruitment and Contracting Sections of this report

Risk(s): Inefficiency; Legal Liabilities.

Cause(s): Compliance; Oversight/Guidance.

Recommendation 18

All personnel files are routinely reviewed by Americas Regional Office HR staff to ensure that they contain all required documents and information.

Management Action Plan:

The HRD for the Americas will ensure that personnel files content is adequate and in line with filing guidelines. The HRM will conduct periodic files sampling at the end of each quarter to ensure files are up to date and files cabinets only keep files of employed staff.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, HR

Due Date: March 2018

Priority Rating: Medium

C3

ADMINISTRATION

C3.1 Administrative policies and procedures

Housing guidelines

Housing guidelines (including house rent ceilings) are expected to be in place and shared with relevant staff for all locations under the scope of the Regional Office, wherever accommodation is provided by the IFRC to delegates/staff. The office in Panama does have a guide and this is being applied. However, it was noted there were no housing guidelines established in most of the offices /IFRC presence in countries across the Americas (e.g. Andean CCST, Ecuador Office, Colombia, etc).

Travel

The amounts processed through the Americas Regional Office on air-travel tickets reached CHF 760K in 2016 and CHF 830k in 2017 (as at 15 November).

The auditors have performed an analysis of 'travel dates vs submission of travel requests' for the last three months (mid-August to mid-November 2017) to assess how far in advance travel was planned and requested. The analysis showed that 103 tickets were issued during the three months reviewed, from which:

- 41% of travel requests were only processed within three days of the travel day;
- 67% of travel requests were processed within five days of the travel day;
- The overall average number of days that travel requests were processed in advance is 5.5 days.
- 12% of the tickets were issued without a travel request being processed and approved through the e-travel system (e.g. one staff filled in a request in e-travel on 20 November 2017 for a trip completed on 14 October 2017).

Furthermore, an amount of CHF 20k was paid for penalties in 2016 due to travel cancellation or change of travel dates. Penalties charges had reached CHF 15k as at 15 November 2017.

Even though some of the travel requests would be in support of Emergency Operations and almost impossible to plan, the overall figures provide a strong indication that there are insufficient controls over travel.

Telephone Bills

The auditors identified high cost mobile telephone bills in the sample of transactions tested. The highest bills seen on the April 2017 mobile invoice included amounts over USD 1'000 (the highest being USD 4'715). This is either caused by inappropriate planning (no change of mobile plan or local sim card/temporary use of a delegation phone) or carelessness around phone use when travelling (roaming costs). It was noted that a trigger had not warned management in advance of charges significantly increasing.

Some issues and risks were identified around management of mobile costs as 'private use', which will be a further driver to excessive phone or internet costs. It was noted that only some members of the Americas Regional team are admitting and paying for their private use of phones. As funding of the Americas Region is a risk, this is even more reason for managers to abide or enforce these controls.

Service provider contracts (administration and IT)

Specific companies are being regularly used to provide basic administrative and support services for the Regional Office (e.g. hotels, travel agencies, IT suppliers, etc). However, service contracts have not been established with such providers. Absence of contracts increases the risk of disputes, financial liabilities and services not being provided to the expected level.

Risk(s): Asset/financial loss; Ineffectiveness

Cause(s): Oversight/guidelines

Recommendation 19

- a) Ensure that housing guidelines are prepared and established for all offices in the Americas Region (even where IFRC has only one international staff in residence);
- b) Travel management practices, including more detailed travel budget and planning, are strengthened. Management will ensure that travel requests are adequately justified and requested at least two weeks in advance (with obvious exception when travelling in response to emergency operations). Furthermore, a detailed analysis of travel is performed on a quarterly basis to identify issues related to late travel requests, high value tickets and/or penalties paid for travel ticket changes and cancellations;
- c) Ensure there are clear trigger limits agreed and effective with mobile phone providers, so that management can be early alerted and avoid excessive costs. In addition, a clear message is provided around private use of mobile phones and that it will be deemed that excessive bills should have a payment contribution by the user, unless there is absolute proof of field use;
- d) Service contracts are established and confirmed in writing with regular administrative and IT suppliers.

Management Action Plan:

- a) Support will be provided to each of the offices to develop a housing guideline that can be tailor made to the context of each country, but following the basic content of the Panama Regional Office housing guidelines.
- b) The recommendation is accepted and the SMT will request compliance with specified practices to avoid last minute requests that may represent a higher cost.
- c) It is important to highlight that the IT unit has been informing monthly to the management team the TOP 10 higher consumers of cell phone bills. So, there has been a red alert given to the management team in this regard. Even though a limit has been established for different users, it has not been effective. So, the SMT will decide the mechanism to establish a better control of the use of the cell phones to ensure a reduction of the costs.
- d) The recommendation is accepted, and it will be implemented.

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, Finance and Administration

Due Date: March 2018

Priority Rating: Medium

| | |
|-------------|--|
| C4 | ASSET AND INVENTORY |
| C4.1 | Inventory management and safeguarding |
| | <u>Inventory management - count</u> |

An inventory register has been established for the office equipment and furniture, however regular inventory counts have not been performed and documented for IT related items. Sample checks are not performed on a regular basis, increasing the risk that missing or non-registered IT equipment remains unidentified.

Risk(s): Asset/financial loss

Cause(s): Oversight/guidelines

Recommendation 20

Implement the “Equipment tracking policy - ref 227” issued in September 2017. In particular:

- a) Review the inventory register to ensure it is accurate, complete and consistent in the information it contains; and,
- b) Perform and document (independently from the register holder) a sampled physical verification of the IT inventory items on a regular basis (at least every six months).

Management Action Plan:

- a) Weekly review and update of our global inventory register tool (Easy Vista) for more accurate and separated register (active assets and inactive assets). – starting from January 2018.
- b) The following will be done:
 - A physical inventory count will be performed every 6 months. – starting from February 2018.
 - A sample check will be done on a quarterly basis. This applies also to country cluster offices. – starting from February 2018.
 - We will perform IT assess disposal procedures on quarterly basis. – starting from January 2018

Risk Owner: Americas Regional Office Director

Responsible for the implementation: Manager, Finance and Administration

Due Date: March 2018

Priority Rating: Medium

| | |
|---|----------------------------|
| C5 | INFORMATION SYSTEMS |
| C5.1 | IT management |
| <i>This area was not part of the audit scope.</i> | |

PART III - ANNEXES

ANNEX 1 - RISK RATINGS

| Risk Rating | Risk 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 - AUDIT ASSESSMENT LEVELS

| Assessment Category | Assessment Description |
|--|--|
| Few/best practice improvements recommended | Few/best practice improvements are recommended. Generally, the controls evaluated are adequate, appropriate, and effective to provide <i>reasonable assurance</i> that risks are being managed to achieve objectives. |
| Some/moderate improvements needed | Some/moderate specific control weaknesses were noted. Generally, the controls evaluated are adequate, appropriate, and effective and are <i>likely to provide reasonable assurance</i> that risks are being managed to achieve objectives. |
| Numerous/major improvements needed | Numerous/major specific control weaknesses were noted. The controls evaluated are <i>unlikely to provide reasonable assurance</i> that risks are being managed to achieve objectives. |
| Significant/critical improvements needed | The controls evaluated are not adequate, appropriate, or effective and <i>reasonable assurance cannot be</i> if risks are being managed to achieve objectives. |

ANNEX 3 – RISKS

The OIAI report lists the potential risks, with the *primary or major* risk listed first.

| Audit Objective | Risk Category | Risk Description |
|--------------------|----------------------------|--|
| Effectiveness | Ineffectiveness | The risk that the timely and complete achievement of the main objectives is compromised. |
| Efficiency | Inefficiency | The risk that the objectives are not achieved by efficient means, which may result in additional time, costs or resources. |
| Asset Safeguarding | Asset/financial Loss | The risk that of not insignificant financial or asset loss to the organization. |
| | Fraud/misuse | The risk of fraud or misuse of IFRC assets resulting in financial loss and/or impacting reputation. |
| | Legal liabilities | The risk that there are legal penalties, or other liabilities resulting in financial and/or other losses to operations, assets or reputation. |
| | Partnerships/reputation | The risk that the IFRC's reputation is negatively impacted, affecting partnerships, public perceptions and operations. |
| | Security/safety | The risk that physical IFRC assets (including personnel) are not adequately safeguarded resulting in injury, death or other loss. |
| Reporting | Inaccurate/ late reporting | The risk that reporting is not complete, timely, or accurate, impacting the decision making process, and/or transparency and accountability to stakeholders. |

ANNEX 4 - CAUSES

The cause is the underlying reason why the issue arose. Causes have been categorised as follows:

| Cause Category | Cause Description |
|-------------------------------|---|
| Procedures/guidelines | Lack of procedures or guidelines that provide criteria regarding expected and acceptable behaviour and action. |
| Compliance | Lack of compliance with established procedures. |
| Oversight/guidance | Lack of adequate oversight or guidance provided. |
| Resources/capacity | Lack of resources to adequately implement, or lack of required capacity (technical or otherwise) to perform the task effectively. |
| Organisational culture | An embedded organisational culture, or lack of awareness on the relevant issue. |
| Other | Other causes which may include external factors which are outside the control of the entity. |

ANNEX 5 - ABBREVIATIONS

| | |
|----------------|--|
| CHF | Swiss francs |
| DREF | disaster relief emergency fund |
| IFRC | International Federation of Red Cross and Red Crescent Societies |
| M&E | monitoring and evaluation |
| MENA | Middle East and North Africa |
| OIAI | Office of Internal Audit and Investigations |
| PEAR | project expenditure approval request |
| PMER | planning, monitoring, evaluation and reporting |
| PNS | partner National Society |
| PPP | programme/project planning |
| RD | resource development |
| VAT | value added tax |