International Federation
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**OFFICE OF INTERNAL AUDIT
AND INVESTIGATIONS**

**INTERNAL AUDIT OF THE HAITI
COUNTRY CLUSTER OFFICE
REPORT NO. IA-2017-7**

AUDIT PERFORMED: JULY 2017

REPORT TO MANAGEMENT: OCTOBER 2017

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PART I   INTRODUCTION & EXECUTIVE SUMMARY

1.   BACKGROUND AND CONTEXT

The internal audit focus on the assessment of the Hurricane Matthew Operation, while understanding that the current Cluster office in Haiti is also covering Haiti, Cuba and Dominican Republic National Societies long term plans.

Hurricane Matthew struck Haiti on 4 October 2016 causing massive destruction mainly in the areas of Grande-Anse, Sud, Nippes, and Nord-Ouest and to a lesser extent in Sud-Est and Ouest areas. About 2.1 million people were affected, including 806,000 people in need of urgent food assistance. The IFRC launched an Emergency Appeal on 6 October 2016 seeking CHF 6.8 million to help the Haitian Red Cross Society (HRCS) aid affected populations.

Taking into consideration the scope of the disaster and the needs revealed by the various assessments conducted within the first month of the operation, the members of the IFRC (the Movement) in Haiti further articulated their efforts for a stronger and better aligned response to Hurricane Matthew.

The process of Strengthening Movement Coordination and Cooperation (SMCC) was followed and led to the signing of a tripartite agreement between HRC, IFRC and ICRC. That agreement provided for joint Movement intervention in Haiti. Thus, the original Emergency Appeal was revised and became an International Emergency Appeal to be implemented by all Movement partners present in country, namely American Red Cross, Canadian Red Cross Society, Dominican Red Cross, French Red Cross, German Red Cross, Italian Red Cross, Japanese Red Cross Society, the Netherlands Red Cross, Spanish Red Cross and Swiss Red Cross, the International Committee of the Red Cross (ICRC) and the IFRC Secretariat. This Revised Emergency Appeal seeking CHF 28.2 million was published on 10 November 2016.

The plan of action was divided into two phases, namely the emergency phase, from October to December 2016, and the recovery phase, from January 2017 to April 2018.

The recovery phase of the operation, which was expected to begin on 1 January 2017, was delayed due to the enormous challenges met during the emergency phase. Some of those challenges included recruiting the appropriate staff for the rolling out of the recovery phase, finalizing contracts with service providers for cash transfer distributions before the 2017 planting season in Haiti, the security constraints posed by the socio-political situation in intervention areas, and the need to prioritise activities taking into consideration available funding as the appeal coverage remained very low. Nevertheless, the Movement was able implement some recovery activities, as highlighted under Operations Update No 4 published on 19 April 2017.

At the time of the audit, the international appeal has received approximately CHF 7,8 Million in hard pledges, representing a 29 per cent coverage of a CHF 28.2 million budget. Approximately CHF 1.7 Million in bilateral contributions have also been registered.

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

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

3.   SCOPE AND METHODOLOGY

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

A)   *Oversight and Risk management*

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

B)   *Programme and partnerships management*

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

C)   *Operations 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.
- Administration, including travel, filing and archiving.
- Assets and inventory safeguarding.
- Information systems including backups.

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

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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	**1**	**2**	**0**
A1 Risk management, oversight and monitoring	-	-	-
A2 Organisation, coordination and communication	-	1	-
A3 Legal and supplementary services	1	1	-
PROGRAMME AND PARTNERSHIP MANAGEMENT	**2**	**5**	**0**
B1 Programming, planning, monitoring, evaluation, and reporting	2	1	-
B2 Resource development and partnership management	-	-	-
B3 Logistics, procurement and fleet	-	3	-
B4 Security	-	1	-
OPERATIONS SUPPORT	**4**	**8**	**0**
C1 Finance	2	2	-
C2 Human resources	2	4	-
C3 Administration	-	-	-
C4 Assets and inventory	-	1	-
C5 Information systems	-	1	-
TOTAL AUDIT RECOMMENDATIONS	**7**	**15**	**0**

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	1	3	-
b)	Efficiency	2	5	-
c)	Asset Safeguarding	3	7	-
d)	Reporting	1	-	-
Total		**7**	**15**	**0**

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A summary of the high priority risks by audit objective is as follows:

Effectiveness

There is one high priority recommendation (**#4**) with a primary risk related to effectiveness. To improve effectiveness, the office should:

- Finalise the revised plan and budget for the Matthew Emergency Operation, with clear milestones and an exit plan;

- Finalise the MoU with Dominican Republic Red Cross to agree on the amount to be reimbursed for their support during the Matthew operation and the respective expenses settled;

- Resolve outstanding issues related to projects under previous (supposedly closed) appeals such as MDRHT008 (Haiti Earthquake) and MAAHT002 (Haiti Annual Plan), and the remaining project balances transferred to the new Cluster Appeal (MAA49004).

Efficiency

There are two high priority recommendations (**#15, #19**) with a primary risk related to efficiency. To improve efficiency, the office should:

- Establish systematic reporting/follow-up mechanisms with the HR Unit in the Regional Office in Panama to ensure that technical support from the Region is timely provided. Any identified weaknesses during the emergency operation should be documented in a lesson learnt document (#15);

- Freeze current national staff salaries until an updated salary benchmark with similar organisations in-country is performed and documented and a job classification system is established (#15);

- Ensure that all contracts as well as any adjustments/revision to national staff salary amounts are signed/approved by the Head of Country Cluster. HR unit should proceed a thorough review of the contract terms to make sure they are completed and aligned with the National Staff Regulations (#15 and #19);

- Submit the National Staff Regulations to a local legal advisor for review, to ensure there are no inconsistencies with national labour laws (#19).

Asset Safeguarding

There are three high priority recommendations (**#3, #12, #14**) with a primary risk related to asset safeguarding. To improve asset safeguarding, the office should:

- Finalise the tender and contract with a local legal advisor (#3);

- Establish an action plan to deal with all legal pending issues, identifying actions already taken, clear deadlines for further actions, the action owner and potential escalation mechanisms until the issue is resolved (#3);

- Ensure that any new working advance amount to HRCS (or any other partner) is issued, accounted and reported in CHF, as per IFRC procedures (#12);

- Resolve/clear the working advance balance (~CHF 198k), due for clearance since 2015, as well as all the other balances outstanding for more than 3 months. Establish escalation mechanisms and/or consider stopping the transfer of any further working advances when amounts are unreported longer than 3 months (#12);

- Ensure that cash counts and bank reconciliations are performed and supported by account statements where all transactions are posted to books in CODA (#14);

- Ensure that all Sogebank account balances are cleared and/or transferred to the new bank accounts and the accounts officially closed (#14);

- Cancel/Void all incorrectly filled cheques in a way to not allow them to be used again. Such cheques should be attached to the cheque books for finance reconciliation and future audit trail (#14);

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- Establish a mechanism to monitor the leaves/absence of bank signatories to ensure that at any point in time payments can be processed without major delays (#14).

Reporting

There is one high priority recommendation (**#6**) with a primary risk related to reporting. To improve reporting, the office should:

- Document the lessons learnt regarding the "International Appeal" modus operandi, with recommendations for improvement to be implemented in similar future appeals;

- Ensure the revised Emergency Plan of Action includes measurable activities and outputs/outcomes, as well as smart key performance indicators which are monitored in a regular basis. Ensure activities are reported in a consistent and clear way;

- Report on activities/outputs initially planned vs actual activities implemented and outputs achieved, to better identify what was not implemented and the reasons why.

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PART II DETAILED OBSERVATIONS & RECOMMENDATIONS

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SECTION A – OVERSIGHT AND RISK MANAGEMENT

A1	**RISK MANAGEMENT, OVERSIGHT AND MONITORING**

A1.1 Risk management
Refer to section A2.1 Organisation, Coordination and Communication

A2	**ORGANISATION, COORDINATION AND COMMUNICATION**

A2.1	**Organisation and coordination**

Integration of the Matthew Emergency Operation within the Cluster Office

The Hurricane Matthew Emergency Operation started in October 2016. The Operations were managed by a Head of Operations/Operation Manager reporting to the Head of Disaster and Crisis Department in Americas Regional Office. The following was noted:

- The Emergency Operation was only "officially" handed over to the Head of Country Cluster on the 1st of April 2017 (~6 months after the operation started). The hand-over of the programs within the Operation, and/or between the Operation team and the Cluster team, has been poorly and/or inconsistently documented. Consequently, the Cluster is now dealing with decisions previously taken by those managers and trying to handle what was left behind (including commitments previously done by Operations managers);

- There has been lack of clarity regarding reporting lines as well as roles and responsibilities between the Emergency Operation team and the Cluster Office, particularly when managing staff and/or dealing with contractual matters:

  o For example. the Procurement/Logistics Coordinator hired for the Emergency Operation, currently supervises the entire Proc/Logs team (staff supporting Emergency Operation and staff working for the Cluster) according to the established organigram. However, such responsibilities are not aligned with his JD. Consequently, it is unclear who is responsible to complete the Performance appraisals and/or objective setting for some of the staff that he is supervising;

  o Contracts (e.g. warehouse rental, supplier contracts, etc) were signed by the Head of Operations or the ERU Logistics Team Leader, instead of the Head of Country Cluster (HoCC), in several occasions. The Delegation of authority to sign contracts from the HoCC to the Head of Operations was only provided one month after the operations started (i.e. on the 8th November 2016).

Response to Emergency

The surge teams (FACT, Head of Operations, ERUs) have been deployed timely. However, based on our interviews and review of some documentation, the following was noted:

- There was an extremely high rotation of the Head of Operations/Operations Managers since the beginning of the Emergency. Within 9 months, 6 different Heads of Operation/Operation Managers were deployed. Furthermore, at the time of the Audit there was no appointed Operations Manager;

- An HR Roster for quick Staff Deployment in times of Emergency has not been developed/maintained at Regional Level. Consequently, the process to identify and deploy experienced delegates was, in some occasions, inadequate and/or lengthy. First time delegates (with no IFRC experience) were recruited during the Emergency Operation with limited briefing/induction, which increased 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);

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- According to audit interviews, there was an understanding that FACT and Regional Response Tools, such as Regional Intervention Teams, could have been further used (for e.g. from Cuba and Dominican Republic) which could have considerably reduced the cost of such interventions.

Internal Communication

Due to the fact there were two teams (operation/cluster) working most of the time in parallel, the internal communication and information sharing was not always the most efficient and effective. For e.g. minutes of staff meetings, the operations and cluster plans and budgets, etc., were not timely communicated among staff. It was also noted that support staff working for the emergency operation were not provided with previous internal audit recommendations to ensure that mistakes and malpractices identified by those audits were not repeated.

Risk (s): Partnership/Reputation; Inefficiency

Cause(s): Resources/capacity; Organisational culture

Recommendation 1

a) The Head of Cluster provides the Americas Regional Office with a lesson learnt document regarding recruitment deficiencies (quality and timeliness), roles and responsibilities during emergency operation as well as reporting lines and accountability between Emergency Operation staff vs Cluster Office staff. Such document should be used as a basis to review the Disaster Response Standard Operating Procedures (SoPs) for Americas as well as enhance recruitment mechanisms;

b) Identify internal communication gaps, and enhance timely sharing of relevant information among all staff in the office.

Management Action Plan:

a/b) Agree. A lesson learned exercise will be conducted with the participation of PADRU before the end of the year, and a document will be prepared at the end of the operation, to help capture challenges and identify strategies for improvement.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: December 2017   **Priority Rating:** Medium

A3	**LEGAL AND SUPPLEMENTARY SERVICES**

A3.1 Contract management

Contract monitoring

The Contracts have been uploaded and reviewed through "e-contracts" as per IFRC procedures. However, the following was noted:

- A monitoring tool to follow up on contract expiry dates has not been established;

- Original contracts are supposed to be centralised in the HoCC Office, however in one of the 6 sample tested contracts only a copy of the original contract was found (Cash Program UniTransfer contract).

- The established archiving process of Contracts is not completely clear. For e.g. there is lack of consistency when filing the contracts: some are filed by the individual name of the supplier while others are filed by Type of contract (for e.g. all MoUs are kept in one big file). A paper file named "contracts to be classified" was found with various contracts waiting to be filed.

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

Cause(s): Compliance; Procedures/guidelines

Recommendation 2

a) A contract tracking sheet is kept up to date. All "active and valid" contracts, MoUs, and Agreements are identified, the value of such commitments is registered in the tracking sheet and the contracts' expiry dates monitored;

b) Original contracts are centrally kept and filing criteria established, to ensure consistency and easy retrieval of original contracts at any point in time.

Management Action Plan:

a/b) Agree. An excel sheet (system) will be prepared to consolidate all future contracts in 2018 and allow for better follow up. A person will be assigned to follow up, and regular weekly meetings will be held to share information and keep all staff informed on new/active/end of contracts. Regarding current contracts, the Hock will ensure they are all scanned and archived properly, both electronically and physically.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017

Priority Rating: Medium

A3.2 Other legal matters

External Legal Counsel

There is no Legal Retainership Agreement in place. The one that the Cluster Office used to have with Maître Rigaud Duplan expired in December 2016. The Cluster, with the support of the Legal Counsel in the Americas Regional Office, was currently revising the Terms of Reference to initiate the tender for a retainership.

Pending Legal related issues

REDACTED

Cheque Fraud - The delegation in Port-au-Prince was victim of a cheque fraud (USD 7'500) with clear indication that was the bank's fault. A report was filed to the Police and to the bank account manager. The possibility of presenting legal action was explored, but the proposed costs and legal fees were way more compared to the amount of the fraudulent cheque. A meeting was held with the account manager and a few emails (last one in March) was sent to request follow up, with no resolution at the time of the audit. All accounts with the respective Bank were in the process to be closed and new ones opened in a different bank. A letter was yet to be addressed to the Bank Director/CEO to escalate the issue.

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

Cause(s): Compliance; Procedures/guidelines

Recommendation 3

a) The tender for a retainership is initiated and an agreement with a local legal advisor/consultant is concluded;

b) An action plan is established to deal with all legal pending issues (such as, Obtaining a Status Agreement and National Staff salary taxes). The plan should identify actions already taken, clear deadlines for further actions, the action owner and potential escalation mechanisms until the issue is resolved.

Management Action Plan:

a) Agree. The process for a retainership has started in line of the recommendations, and it is expected to be finalised within the due date indicated.

b) Agree. A chronology has been prepared and is updated regularly by the HoC.

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Note: on July 27th, 2017 a meeting was held with the deputy director of the Sogebank, Hoc, Finance and security, in which the bank was informed of the concern of the Federation on the follow-up, without information. Since March, the bank was informed on the importance of such follow up and the risk that kind of case could produce in relation to the money of the beneficiaries being lost and the concern of the other partners of the Red Cross movement. As result the bank in the same week informed the HoC that the money was returned to IFRC account. All relations have been currently halted between HT delegation and HT Sogebank, a new bank account was opened with a new selected bank.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017

Priority Rating: High

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SECTION B – PROGRAMME AND PARTNERSHIP MANAGEMENT

B1	PROGRAMMING, PLANNING, MONITORING, EVALUATION AND REPORTING

B1.1 Programming and Project management

Funding Mechanisms, Plan and Budget (Emergency Operation and Cluster)

The Hurricane Matthew Appeal has been poorly funded (~29% of the total Appeal). REDACTED

A revised plan of action for the Emergency Appeal, including the budget revision based on existing funds, has not been finalised yet, neither a scale down/exit plan, with clear deadlines and milestones.

The budgeting process has been challenging for both the operations and Cluster program staff. For example, some Program Managers have complained about discrepancies between the budget lines prepared and submitted by them vs the final budgets imported into CODA, as well as differences between funding figures reported from one day to another. This could be either the result of adjustments being made without consulting the respective managers and/or lack of understanding from program managers regarding the reported data in various financial reports.

Cash Programming and Shelter program delayed activities

It took extremely long time to initiate the cash programming activities due to a combination of factors, resuming in lack of clarity about procurement procedures, contract negotiation and decision making. Consequently, the Cash Programming activities that were planned to start in January 2017 were delayed until May 2017.

The decision and appropriate actions to implement the planned Shelter activities also took long time. At the time of the audit it was still unclear if such activities will be ever implemented.

Dominican Republic Emergency Support - Agreement

Several emergency response activities were performed by Dominican Republic Red Cross (DRRC) in support to the Hurricane Matthew Emergency Operation. However, this was done without a signed MoU or Agreement between them and the Haitian RC, or the IFRC. Consequently, at the time of the audit it was still unclear what is the exact amount/expenses that will be claimed by the DRRC to cover their response activity costs.

Project Financial Management

There are projects still opened, with credit and debit balances, in four different Appeals (MDRHT008, MDRHT010, MAAHT002 and MAA49004). The following was noted:

- One Project related to the Emergency Appeal that ended in 2015 (MDRHT008), remains opened with a balance of CHF 354k;

- Haiti Annual Appeal Projects under MAAHT002, that should have been closed by the end of 2016, still have REDACTED "unspent" balances. Such balances were supposed to be reallocated to the Cluster Appeal projects under MAA49004, which are currently in a technical deficit awaiting such reallocation of income.

Risk(s): Ineffectiveness; Inefficiency, Partnership Reputation
Cause(s): Oversight/guidance; Resources/Capacity

Recommendation 4

a) A revised plan and budget for the Matthew Emergency Operation, with clear milestones and an exit plan, is finalised and shared with all staff;

b) The MoU with Dominican Republic Red Cross to agree on the amount to be reimbursed for their support during the Matthew operation should be finalised and the respective expenses settled;

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c) Issues related to projects under previous (supposedly closed) appeals such as MDRHT008 (Haiti Earthquake) and MAAHT002 (Haiti Annual Plan), are resolved and the remaining balances transferred to the new Cluster Appeal (MAA49004).

Management Action Plan:

a) Agree. Exit logistics Plan was proposed and approved; Implementation started end of August. Budget and Plan of Action for the Matthew Emergency Operations is in process, and will be completed in October.

b) Agree. Discussions and work with DRRC are underway to settle the expenses under the Matthew Operations.

c) Agree. This is currently being addressed and remaining balances will be transferred.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** High

Field visit to the Sub-Offices in Jeremie and Anse d'Hainault (AdH)

A field visit to Jeremie and AdH sub-offices was done by the auditors. The following was noted:

- The practices concerning operation documentation are not harmonised among offices neither among the different program managers. For example, beneficiaries' selection process, signed distribution lists, handover of materials and letters of donations are properly kept by the Health Program in Jeremie, but this was not the case for Livelihood, WASH and Community Engagement and Accountability (CEA) programs in AdH;

- CEA function is transversally working with all the other program activities and serve as a link between the communities and the different programs. However, it was unclear who is responsible to keep relevant program documentation. For example, the auditors were not provided with the selection survey report performed for the Cash Transfer Program, as the CEA program officer assumed this was kept by the Livelihood program and the Livelihood team leader was unsure if this was kept with the Livelihood delegate or not;

- In AdH office, and upon request, a list of selected beneficiaries was provided to the auditor, but some of the distributions lists were not signed by the beneficiaries. The reason given was that beneficiaries were illiterate and therefore not able to sign;

- The field monitoring visits performed by the different program team leaders are not documented. For example, monitoring visits to assess if the cash transferred to beneficiaries had been used for fishing materials and seeds purchases, as per the plan, were not documented;

- According to the different program team leaders, beneficiaries are satisfied with the services provided. A satisfactory survey is supposed to be launched. However, an action plan to perform the survey (when, by whom, which beneficiaries) is yet to be established;

- There were no minutes kept for the regular meetings (weekly or monthly) held in both sub-offices (Jeremie and AdH).

Risk(s): Ineffectiveness; Inefficiency; Fraud/Misuse
Cause(s): Oversight/guidance; Resources/Capacity

Recommendation 5

a) Ensure that harmonised practices documenting beneficiaries selection process, distribution lists and handover materials are established among Port-aux-Prince main office and the two sub-offices. Furthermore, clarify roles and responsibilities regarding the safekeeping of program activities and beneficiary related documentation;

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b) Ensure all distribution lists are signed by the beneficiary of the goods or services. When, exceptionally, the beneficiary does not know how to sign, both the responsible IFRC/HRCS staff and its line manager should contra sign the list confirming that the beneficiary received the goods/services;

c) Ensure that all field monitoring visits are properly documented and such reports are used to improve the planning and the quality delivery of goods and services to beneficiaries;

d) Perform satisfactory survey(s) to beneficiaries;

e) Ensure that summarised meeting notes are taken during program/management meetings and respective action points followed up.

Management Action Plan:

Agree with all recommendations. They are currently being implemented. As tools regarding the different issues already exist, the HoC will ensure the enforcement of such tools. As part of the lessons learned exercise planned for the end of the year these issues will be highlighted and addressed.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

B1.2   Planning, monitoring, evaluation and reporting (PMER)

International Appeal – mechanisms

A movement coordination mechanism has been established in Haiti throughout the last few years, where the Host National Society, the IFRC Cluster Office and the PNSs working in-country meet regularly.

The mechanism was used to manage, monitor and report on the Hurricane Matthew Operation. A movement Appeal (so called "International Appeal") was launched, among the IFRC Secretariat, ICRC, PNSs working bilaterally in-country and the Host NS.

Based on interviews and the review of documentation, the auditors noted many challenges regarding this modus operandi. It was observed that the Appeal Document and the Plan of Action did not clearly identify:

- program priorities based on potential funding - consequently, the decision how to use the available funds has been taken in an ad-hoc basis upon receipt of the pledges;
- who (partner) is going to implement which activities (IFRC, PNS, ICRC) - Such decision was taken at a later stage during the SMCC meetings (Strengthening Movement Coordination and Cooperation);
- how funds received have been split/implemented among the partners - the reports/operation updates do not clearly indicate which activities and how much funds were transferred to each movement partner;
- if any funding was received/spent bilaterally by the PNSs/ICRC/HRCS to respond to the Matthew Operation - the auditors could not find any information or formal obligation from the movement partners to report on funds received bilaterally to support the Hurricane Matthew operation.

Emergency Plan of Action (EPoA) - Matthew Operation

The auditors have reviewed the appeal document and the emergency plan of action. The following was noted:

- the objectives identified in the EPoA are not specific enough and/or consistent. The report has outputs and activities which are difficult to measure, meaning the indicators are not "SMART";
- the report indicates distribution of items without mentioning quantities and sometimes there is unclarity between what is reported as "procured" and "distributed";
- activities implemented are sometimes reported by "number of beneficiaries" and other times by "households";

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- the operations update does not clearly indicate in a consolidated way the activities initially planned vs activities implemented.

Risk(s): Inaccurate/late reporting; Ineffectiveness

Cause(s): Resources/capacity; Oversight/guidance

Recommendation 6

a) Document the lessons learnt regarding the "International Appeal" modus operandi, with recommendations for improvement to be implemented in similar future appeals;

b) Ensure the revised Emergency Plan of Action includes measurable activities and outputs/outcomes, as well as smart key performance indicators which are monitored in a regular basis;

c) Ensure activities are reported in a consistent and clear way;

d) Report on activities/outputs initially planned vs actual activities implemented and outputs achieved, to better identify what was not implemented and the reasons why.

Management Action Plan:

a) Agree. As part of the lessons learned exercise to be held before the end of the year, 2 separate sessions will be held to address this issue: an internal one with the secretariat, and a meeting with the PNS.

b/d) In the revision of the Appeal, currently on going, these issues are being addressed.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: December 2017   **Priority Rating:** High

B2	**RESOURCE DEVELOPMENT AND PARTNERSHIP MANAGEMENT**

B2.1 Resource development

Refer to section B.1.1 Project Management section.

B3	**LOGISTICS, PROCUREMENT AND FLEET**

B3.1 Procurement

Procurement process

According to the Logistics/Procurement Coordinator, the procurement files are reviewed by him as well as some other control tasks are monthly performed. However, those reviews/controls are not consistently documented.

For procurement above CHF 20k, quotations in a sealed enveloped are requested to the respective suppliers. However, both the request for quotations and the receipt of the sealed enveloped bids is performed by the same staff (procurement officer). A lack of segregation of duties increases the risk of bids manipulation.

Supplier management

The Supplier Database used during the previous Earthquake Emergency Operation (established between 2010 and 2014) has not been retrieved/handed-over to the Matthew Operations' procurement team. In the absence of a

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suppliers' list/database, a local website "Haitibusiness.com" was used to identify local suppliers. A (new) supplier database is yet to be established.

According to the procurement officer, the suppliers' premises were visited to confirm its "existence". However, such visits were not documented.

The procurement unit established the practice of only filling a supplier registration form for Suppliers bidding for procurement amounts over CHF 20k. However, the auditors noted that the office has procured cumulatively services over CHF 20k to a specific service provider without a registration form being filled (RHT, Dollar Rent Car). It was noted that the supplier invoices are not numbered and do not indicate the supplier fiscal number, which might indicate that the company is not legally registered in-country.

Supplier performance data is indirectly kept through digital follow up of the procurement files. However, a formal performance review of the suppliers has not been documented.

<u>Sample Testing of Procurement Files</u>

Six procurement files were reviewed in detail. In general, all required procurement documentation was found and kept according to IFRC Procedures (LR, PO, CBA, CoC minutes, etc). A few issues were noted:

- In one case, the initial LR amount was changed manually to a higher one without finance validation. In another case the LR was issued one day after Quotations and CBA were prepared (ERU procurement);
- In one case, a "Note to the file" was found justifying why the RFQ was not done for that specific procurement. However, the note was signed/issued/filed nine months after the procurement process conclusion;
- The procurement files reviewed by the auditors were yet to be properly filed and indexed.

Risk(s): Ineffectiveness; Fraud/misuse

Cause(s): Oversight/guidance

Recommendation 7

a) Ensure there is segregation of responsibilities and duties between the officer/staff requesting quotations to suppliers and the one receiving such quotations (or sealed envelopes, in case of procurement above CHF 20k);

b) A supplier database is (re)established. Background checks are performed on new vendors prior to their acceptance and supplier registration forms complete. Furthermore, performance evaluation of suppliers upon completion of their services is documented;

c) Ensure all procurement documents are properly indexed, referenced and filed accordingly.

Management Action Plan:

a) Agree. Implemented since July 2017.

b) Agree. The supplier database was found in archives data and started to be updated. Background checks was done for 1 new supplier in August 2017: MAGEPA. Furthermore, the process has been established to ensure performance evaluation of suppliers upon completion of their services.

c) Agree. The process is ongoing.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

B3.2 Fleet Management

A comprehensive logistics, procurement and fleet management report, which include KPIs analysis, is done every month by the Logistics Coordinator. The report was found very good and useful.

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Fleet management good practices have been also established. However, a few issues were identified for improvement, as described below.

Vehicle Running Costs allocation

All the vehicles are used as a "pool", meaning the same vehicle can be used by different programs and support services. However, the running cost have been allocated to budgets per vehicle (not as a cost percentage of the total vehicle costs). Consequently, it is extremely challenging to justify the allocation of some fuel and maintenance costs to a specific program without avoiding disputes by the program managers over vehicle charges to their budgets.

Vehicle Maintenance

The vehicle maintenance contract expired in 2016 and a new one has not been established, yet. As a compensatory process, the Office has been requesting a pro-forma invoice to the service provided in advance to any repair or maintenance work.

Locally Rented Vehicles

Thirty-six vehicles (VRP, ambulances) faced importation delays of four to five months, waiting for either customs clearance or official handover documents. Consequently, several local rented vehicles were used, mostly during the first four months of the emergency operation (average of 10 to 15 vehicles per month) with increased costs for the overall fleet running costs.

It was also noted that for such locally rented vehicles the fuel consumption information vs Kilometres was not monitored.

Surprise/control Checks

Surprise checks and controls on log-books, as well as vehicle inspection forms filled by individual drivers, are told to be performed by the dispatcher officer, however such controls are not documented. Furthermore, sample checks on FleetWave entries, to ensure data accuracy, are neither performed.

Risk(s): Inefficiency; Ineffectiveness, Fraud/misuse

Cause(s): Oversight/guidance

Recommendation 8

a) Establish a system where all vehicles' running costs are allocated to projects based on a pre-defined criteria and percentage, rather than charged as per individual vehicle (unless the vehicle is exclusively allocated for 24h to a single program/function);

b) Finalise the negotiations to obtain a maintenance contract with the local official vehicle dealer;

c) Ensure that locally rented vehicle fuel costs and respective logbooks are monitored monthly;

d) Perform and document regular monthly surprise checks and controls on logbooks and vehicle inspection forms, as well as a sample check of FleetWave entries, to ensure data completeness and accuracy.

Management Action Plan:

a) Agree. The pool system was implemented by the Logistics department since January 2010, as per 2008 Fleet Manual procedures; However, this system should be implemented by Finance and budgets holders.

b) With the ongoing reduction of the size of the activities and fleet, the procedure for maintenance will be limited to the request of prof forma invoices when preventative maintenance will be needed.

c) Agree. This recommendation will be implemented for future operations.

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d) Agree. It started being implemented after the audit.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017	**Priority Rating:** Medium

Fleet Testing Results

Sample checks were performed to the vehicle fleet, to the drivers and vehicle files, to the management of spare keys and to the FleetWave monthly report. The following was noted:

- One small generator (15KWA old generator that was sent from Port-au-Prince to the sub-offices) is not registered into FleetWave, as its original documentation has not been traced. Consequently, the maintenance and fuel consumption costs are not monitored;

- As per the Fleet manual, the local insurance green card (or a copy of it) should be kept in the vehicle files. However, only the initial contract was kept in the file, while the green stamp was kept on the respective vehicle;

- The driver's files included the authorisation letter to drive from the HoCC, but not the result of the driving test. Furthermore, a copy of the driver's driving licence is not kept anywhere (neither in the HR files nor the Driver's file);

- The fuel for the VRP vehicles is properly monitored and monthly reconciled. Copies of the logbook pages are kept every month to follow up on the fuel consumption and amounts reconciled with the supplier invoice. Two vehicles were tested for the month of May. In one case, the total litres of fuel in the month summary sheet did not reconcile with the logbook pages. The discrepancy was detected by the Information System Log Officer when reconciling the original tickets and the monthly account extract from the fuel supplier company TOTAL. However, such identified incorrections are not documented and therefore corrective actions to avoid similar mistakes might not be taken;

- For the spare keys of vehicles, only a movement register (keys going out and returned) is filled and signed, but an "inventory" register with a stock count system is not yet established. The initial number of spare keys per vehicle is unknown, thus we cannot be sure if the missing keys were lost, misplaced, stolen, etc.

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

Cause(s): Compliance; Oversight/guidance

Recommendation 9

a) Ensure all vehicles, including generators, are registered in FleetWave. If for some reason that is not possible at least ensure its maintenance and fuel consumption is registered separately and monitored monthly;

b) Ensure completeness of the vehicle files, as per IFRC Vehicle Fleet manual, including updated insurance cards/contracts;

c) Ensure completeness of the driver's files, including documentation on the driving test results and copy of the driving licence;

d) Any identified discrepancies on the vehicle fuel consumption, registration and/or vehicle maintenance, should be documented and escalated to the Fleet Manager for information and corrective actions;

e) A complete vehicle Spare Key count and inventory is performed and documented. An inventory register with a stock count system is established to manage ins and outs of spare keys and a regular sample check (monthly/quarterly) is performed to ensure its accuracy and completeness.

Management Action Plan:

a) Agree. However, registering vehicles and generators in Fleetwave is subject to documentation which was not available (the generator was repaired from "HRC cemetery" without any documentation related to the origin and

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it was not possible to forecast the duration of the local rental. For the Earthquake, generators of HRC were registered in FW but the issue was after the EQ: it was not possible to remove these generators from Fleetwave as the procedure requests a disposal form. One of these generator is still registered in FW for the last 3 years. This recommendation will be implemented for future operations. The main constraint for monitoring generator and local rented vehicles was they were not under the management of the Fleet department during the emergency. An application for managing and monitoring properly this kind of data is not available, nor the integration with Fleetwave. Implementing this process will also demand budget for additional HR$.

b) and c) Agree. Requested to staff in charge to be implemented.

d) Agree. Monthly Fleetwave reports are now issued by the Information Officer to the Fleet manager.

e) Agree. There is an inventory which is followed up and somewhat updated. However, the finalisation and continuous monitoring will be improved as per recommendations received from the auditors.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

B3.3 Warehouse Management

IFRC does not hold any warehouses. A small transitional stock is kept for a few Health items and a few vehicle spare parts.

B4	SECURITY

B4.1 Security Framework

The Security management is under overall responsibility of HRCS with support of the IFRC. Recent security incidents could indicate there is an increased risk regarding the security of people and the operations in Haiti. The auditors have noticed poor security practices at the Base Camp entrance gate.

A Geneva Security Officer paid a visit to Haiti last year and a report was issued with recommendations. Furthermore, a security assessment mandated by the Americas Regional Office was being performed at the time of the audit. The below specific issues were noted.

Security Officer Roles and Responsibilities

The Security Officer is performing some administrative/desk tasks in support to the HoCC, which is not part of his job description and it could distract him from the challenging security duties in such a volatile environment.

Evacuation Plan

An evacuation plan was established for Jeremie and Anse d'Hainault sub-offices. However, there were recent revisions which were yet to be approved. Furthermore, the auditors could not find any evidence that Delegates have been recently tested or briefed regarding the existing evacuation plans.

Stay Safe

Regular monitoring of e-learning stay safe completion has not been done during Matthew Operation. The Security officer was not able to provide the auditors with an informed update about who has completed the Stay Safe e-learning training.

During the field visit, the auditors have been informed by the staff that none of them was able to connect to the e-learning platform due to a computer restriction, which was found to be a simple pop-up blocker. The IT officer from Jeremie, who was accompanying the auditor, immediately modified the computer settings to resolve the issue.

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However, such easy resolvable technical problem has prevented the staff from accomplishing their basic and mandatory trainings since the beginning of the emergency operation.

Risk(s): Security/Safety; Ineffectiveness

Cause(s): Compliance; Oversight/guidance

Recommendation 10

a) Ensure the Security Officer is full time engaged in his security role and responsibilities, as per his job description;

b) Ensure evacuation plans for Jeremie and Anse d'Hainault sub-offices are revised and shared with all concerning staff. Furthermore, a meeting with all Delegates is held to ensure their full awareness about the office/home evacuation protocols;

c) A mechanism is established to ensure that any new hired staff completes the stay safe e-learning training and to monitor and report to management on a regular basis the completion of such trainings (for both national staff and delegates).

Management Action Plan:

a) Agree. This issue has been solved. The Security Officer has no longer admin responsibilities since the month of July.

b) Agree. The last evacuation drill was done in 2015, in preparation to the election period. From 2018 on this will be done annually. In terms of the evacuation plans being updated and shared, these were both in progress during the visit of the auditors, and was submitted to HRC in July 27th. After receiving approval, this will be shared with the staff.

c) Agree. Files containing the certificates are managed by the Security Officer, however, there were no stats available at the time. This is being addressed and enforced, and a monthly report will be prepared and shared with management.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

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SECTION C – OPERATIONS SUPPORT

C1	FINANCE

C1.1   Financial Management and Oversight

Balance Sheet

The accounts are generally well kept and the balance sheet accounts (assets and liabilities) are monitored and reconciled monthly. However, there was a considerable amount (CHF 316k) noted under the prepayment account (14910 HTG Unitransfer) related to the cash programming that was yet to be reconciled with the supporting documentation received from the service provider.

Invoice Management

Invoices from suppliers received at the Delegation are not centralised. Invoices are received by individual units (logistics, administration, etc), instead of going directly to the Finance Unit. Consequently, not all invoices are forwarded and/or registered in advance by the accounts payable function.

A Stamp "Paid" is not used to void/cancel all the invoices once they are submitted for payment. Instead, the stamp is used on the "Request for Payment" document.

Expenditure Testing

A sample of 57 expenditure transactions were tested to assess its completeness, accuracy and if adequate supporting documentation was attached to substantiate the transaction. Overall, the documentation is well supported, amounts correctly booked and accounts correctly used. Only a few issues were noted:

- In two cases, the correct approval and/or validation of supporting documents was missing and/or not complete;

- In four cases, the CODA Documents (such as ALC, ACR, SOSC, etc) are not signed as verified or validated by the Senior Finance Officer. Therefore, it cannot be ascertained if they have been reviewed;

- In one case, supporting documentation was not complete, although a note to the file was attached to explain the reason;

- In two cases, the procurement of goods for certain items was done/paid through staff working advance (WAD) when such type of procurement was supposed to be done/paid through Admin/IT/Finance/Procurement functions. However, the auditors noted this happened during the first months of the emergency operation, and the amounts involved were below CHF 1'000.

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

Cause(s): Oversight/guidance

Recommendation 11

a) The reconciliation of cash programming amounts between the supplier invoice and the amounts received by the beneficiaries is performed and potential discrepancies immediately addressed with the service provider;

b) A mechanism is (re)established to centralise invoice management within the Finance Unit, i.e. the finance unit records immediately the invoices when they are received from suppliers and then forward to the respective units for validation and approval;

c) All cash invoices are stamped "PAID" or cancelled when payments are issued;

d) Ensure that all accounting transactions such as ALC, ACR, SOSC, EXPR, are signed as validated/verified by the Senior Finance Officer prior to posting into CODA.

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Management Action Plan:

a) Agree. This situation arises from the fact that the report found on the Unitransfer system could not facilitate reconciliation with the IFRC data. Unitransfer has been informed and follow-ups are in progress.

b) Agree. However, Haitian suppliers do not provide most of the invoices before their payment, and even less with the considerable reduction of the activities of the delegation. Suppliers who accept to give invoices do not have the habit of forwarding them to the office concerned. Only the buyer must collect them and bring to the finance offices for follow-up. This is exceptional for Haiti and no one can promise that this will work due to the actual reduction of HT delegation activities.

c) Agree. Finance will stamp the invoices as well as the requests for payment.

d) Agree. This is a new instruction, which has started to be implemented. Before it was only the project manager signing some of these documents (e.g. EXPR).

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

C1.2   Partner working advances and cash transfers

Balances and Reconciliations

Working advances to IFRC staff and to Haitian RC are monitored and reconciled monthly. However, the following was noted:

- Working advance amounts to NS are not transferred in CHF, as per IFRC Procedures;

- There is a Working Advance amount in the name of HRCS (~CHF 198k) that has been pending for clearance for the last 2 years *(note: this balance/amount is resulting from previous selling of HRCS vehicles);*

- There are some WANS amounts transferred to Haitian RC related to the Cluster Projects, and one to Dominican Republic RC related to support to Haiti floods, which have been unreported since 2016;

- Some minor WANS balances have been dormant for a long time ().

Risk(s): Asset/financial loss; Inaccurate/late reporting; Fraud/misuse
Cause(s): Compliance; Oversight/guidance

Recommendation 12

a) Ensure that any new working advance amount to HRCS (or any other partner) is issued, accounted and reported in CHF, as per IFRC procedures;

b) Resolve/clear the outstanding working advance balance (~CHF 198k), due for clearance since 2015, as well as all the other balances for which the report of expenditures is due for more than 3 months;

c) Ensure that working advance amounts are timely reported by HRCS. Establish escalation mechanisms and/or consider stopping the transfer of any further working advances when amounts are unreported longer than 3 months;

d) Clear, through the write-of mechanism, minor working advance balances under accounts.

Management Action Plan:

a) Agree. HT Delegation was not officially instructed to start issuing WANS in CHF. This was discussed only in the last finance workshop where WANS was already pending with NS. It is important to take into consideration the situation of HT delegation where 2 currencies HTG and USD are used. In our opinion, it will be a non-efficient way

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to work if we send money in CHF as per procedure to National society while they will be obliged to change it again in USD to pay salaries (as salary is in USD).

b) Agree. This pending amount comes from transaction at region level and need also Senior-Management level communication to regularize the situation.

c) Agree. HT delegation has provided new WANS to NS for Matthew operation based on agreement signed with UNICEF as they are mandatory and couldn't be blocked just based on pending WANS from 2016. The HT delegation has made a big effort to clear NS majority pending WANS.

d) Agree. Cluster Finance prepared the necessary information. This is pending from the Regional Office's side, since several months ago. Follow up will be done with ARO finance department.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017 | **Priority Rating:** High

C1.3   Staff working advances

Nothing to report.

C1.4   Petty Cash Management

Petty Cash Policy

A petty cash policy has been established by Haiti Office in 2014. A revised Policy has been submitted for approval to the HoCC with the aim to reflect current practices. Such approval is yet to be obtained.

Petty Cash Processes

Separate Petty Cash accounts have been opened in CODA just to book cash inflows (e.g. reimbursement of private expenses), as per instructions from the Regional Finance Unit in Panama. The total amount of "inflows" are then deposited in the bank on a regular basis to ensure compliance with the IFRC Imprest system. However, such practice of keeping a petty cash just for inflows of cash is not according to standard IFRC guidance and does not improve efficiency.

Furthermore, cash transactions (inflows and outflows) are supported by a serial pre-numbered receipt issued by the cash holder. However, the receipt number is not entered into CODA neither a reconciliation between the petty cash transactions and the pre-numbered receipt book is performed.

Risk(s): Asset/financial loss; Fraud/misuse
Cause(s): Oversight/guidance; Procedures/guidelines

Recommendation 13

a) Ensure the revised Petty Cash policy is approved;

b) Only one petty cash account, by office location, for each currency, is kept in CODA. If the cash in-flows surpass the pre-established petty cash balance ceiling, the excess should then be deposited in the bank. The in-flows of cash are documented through a serialised receipt document, with the respective receipt number entered into CODA. At month end, petty cash CODA transactions are reconciled with the receipt book to ensure the completeness and the accuracy of the accounts and balances.

Management Action Plan:

a) Agree. HoC will review and approve.

b) Agree. However, the decision must be made at regional Level (as they were the ones who instructed HT delegation to establish the current processes). As soon as new instructions are received they will be enforced.

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Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)	
Due Date: October 2017	**Priority Rating:** Medium

C1.5   Bank Management

<u>Bank Management</u>

The following bank management practices were noted:

- Bank reconciliations are prepared, reconciled and validated. However, the reconciliation is performed before all transactions are posted into the books in CODA (some transactions are only posted to the "Intray"). The same practice was observed for Petty Cash Counts/reconciliation. This increases the risk that transaction amounts in CODA are easily changed/manipulated after the reconciliations have been performed and signed;

- It was decided to close all accounts in Sogebank and open new accounts in Banque National de Credit due to the issue with a Fraudulent Cheque (refer to section A3.2). However, the process of clearing/closing the Sogebank accounts and transferring the final balances to the new bank accounts was yet to be concluded;

- Cheques that are incorrectly filled are supposed to be cancelled and kept in the cheque book for auditing trail. However, the auditors noted that a considerable number of such cheques have been left attached to the cheque books without being voided/cancelled, increasing the risk of being fraudulently used;

- Specific payment days/schedule has not been established within the delegation. Consequently, cheques are normally issued every day and at any time, which does not contribute to an efficient treasury time planning;

- In a few occasions payments were delayed due to the absence of authorised signatories. The finance unit is not always kept informed about Signatories' leaves or absences, increasing the risk of important payments being delayed (e.g. delay with the monthly payment of national staff payroll).

Risk(s): Asset/financial loss; Fraud/misuse; Inefficiency
Cause(s): Oversight/guidance; Procedures/guidelines

Recommendation 14

a) Ensure that cash counts and bank reconciliations are performed and supported by account statements where all transactions are posted to books in CODA (not Intray);

b) Ensure that all Sogebank account balances are cleared and/or transferred to the new bank accounts and the Sogebank accounts officially closed through letters issued by Geneva Treasury department;

c) All incorrectly filled cheques are appropriately void/cancelled in a way to not allow them to be used again. Such cheques are kept attached to the cheque books for finance reconciliation and future audit trail;

d) Treasury payment schedule/hours are established and staff duly informed;

e) A mechanism to monitor the leaves/absence of signatories is established to ensure that at any point in time payments can be processed without major delays.

Management Action Plan:

a) Agree. Daily cash counts cannot be performed in this way as documents are posted some days after, depending on the number of transactions. However, this will be done at the month-end cash count.

b) Agree. Follow up is being done with the bank before processing to the closing.

c) Agree. In the past the delegation never had any cases where a cheque was re-used or any kind of mistakes during past year. This was an isolated case. HT delegation has proved good monitoring and will continue to do so.

d) Agree. A schedule will be coordinated between finance and project managers to ensure timely and organized treasury payments.

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e) Agree. Better monitoring regarding the absence of signatory staff will be done.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** High

C2	HUMAN RESOURCES

C2.1 Recruitment, job specification and classification

Recruitment Process of national staff

The following was noted regarding the recruitment process for national staff during the Emergency Operation:

- There was no HR function created specifically for the Operation, thus the Cluster HR Officer oversaw the increasing need of recruitment of national staff and he was the only HR person in the beginning of the Emergency Operation. Only after two months, support was received through deployment of the Africa Regional HR Manager for a two weeks visit. The Panama HR Unit paid a visit later, six months after the Operation, in March 2017. Though an HR assistant in Haiti was hired in the initial stages of the emergency operation to support the HR Officer, there were limited resources in the HR function to properly deal with the challenges of such an emergency operation.

Salary scale (national staff)

The auditors were informed that the grading system and salary scale for National Staff has been benchmarked in 2012. However, there was no documentation available related to such benchmarking. Consequently, it was not possible to confirm whether the current salary scale was/is in line with similar organisations working in-country.

During the audit review, it has been noted the following:

- Perceived high salary scale: based on researches performed by the auditors and interviews with staff, the national staff salary amounts established in the IFRC/HRCS salary scale appear much higher than the amounts paid in the public sector or the humanitarian sector for similar positions (e.g. the national staff health program manager in IFRC is paid 6 times more than a doctor in the public sector);

- Higher salaries than the salary scale: it has been noted cases where staff are receiving a higher salary than the graded salary scale amount. According to the HR office, this has been done to value the long experience and work history of certain staff employed with IFRC for more than three years, as the working longevity was not taken into consideration in the salary scale/grading (designed with a maximum of three years of experience for a specific grade);

- Salary adjustments: salary rises are individually requested by the staff via an "Adjustment of salary" form. However, this form does not provide the final assessment and/or explanation for the salary upgrading, neither is signed by the Head of Country Cluster (only signed by HR and the line manager).

Internally, the lack of clear and consistent criteria to establish salary amounts allows a case-by-case treatment and can easily create a feeling of unfairness among staff.

Risk(s): Inefficiency; Ineffectiveness; Partnerships/reputation

Cause(s): Organisational culture; Oversight/guidance; Compliance

Recommendation 15

a) Establish systematic reporting/follow-up mechanisms with the HR Unit in the Regional Office in Panama to ensure that technical support from the Region is timely provided. Any identified weaknesses with the support provided

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from the Regional Office during the emergency operation should be documented in the lesson learnt document *(refer to recommendation 1a))*;

b) Any adjustments/revision to national staff salary amounts are signed/approved by the Head of Country Cluster;

c) Freeze current national staff salaries until an updated salary benchmark with similar organisations in-country is performed and documented and a job classification system, with each national staff graded according to the job classification, is established.

Management Action Plan:

a) Agree. Based on our response to recommendation. 1a, a lesson learned exercise will be conducted during the last quarter of the year. In addition, we will establish a clear mechanism of coordination and support from the Regional Office.

b) Agree. This has already been addressed. The HR officer has been instructed that no contract or changes to a contract can be finalised without the signature of the HoC.

c) Agree. Advocacy is being made with the NS to review the salary scales. This is a very difficult process since this is something that has been addressed but no change has been accomplished. Follow up will continue to have the salary benchmark against which the staff salaries will be revised. In addition, other partners in the Country including the UN System is trying to address this issue.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: December 2017   **Priority Rating:** High

C2.2   Starters, leavers and performance management

Starters

The auditors were informed that an induction process occurs every time a new staff is hired. However, this is not documented. A starters/induction checklist has not been established for the office. In addition, handovers are not systematically performed to ensure that institutional memory and relevant documentation is retained.

Performance appraisals (national staff): probation period and end of contract

According to the National Staff Regulations, a performance appraisal must be completed when the probation period is concluded and at the end of contract, as each contract extension should be conditioned by a satisfactory performance. If these appraisals occurred, they were not documented in the HR files.

Leavers

A leavers clearance form is circulated among all heads of units before termination benefits are paid to the national staff. However, there are unclarities on the wording used in the form and the expected answers from the clearance units. For example, each unit section (logistics, finance, IT, etc) includes a list of items to be returned prior to departure. But the tick boxes only allow answers as "Yes" or "No", without proposing the answer "Non-applicable" in case the staff has never received the item. Further, there were instances where the form was partially completed (unticked boxes, not signed or not dated).

Risk(s): Inefficiency; Ineffectiveness
Cause(s): Compliance; Oversight/guidance

Recommendation 16

a) Establish an induction checklist to ensure that a proper 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

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clearance form upon staff departure. This should be documented and signed off by the staff as evidence that the induction process occurred and should be kept in the HR files;

b) Perform the end of probation period performance appraisal as required by the National Staff Regulations. Results of the performance appraisals should be documented and kept in the HR files as part of the Performance Management section;

c) Establish a comprehensive leavers' checklist to ensure that a proper off boarding process is conducted, including a list of debriefings, exit procedures and an asset clearance form to be reconciled with the received assets form. This should include mechanisms to ensure End of Mission Reports are finalised and an adequate Handover process has taken place.

Management Action Plan:

a) Agree. A tracking instrument is needed and will be developed with all other relevant mechanisms identified through the lessons learned exercise. This will be addressed before the end of the year.

b) Agree. The performance appraisals are registered in e-learning system. However, the recommendation to keep a file in the HR Office is noted and is being applied.

c) Agree. This will be developed with all other relevant mechanisms identified through the lessons learned exercise and will be addressed before the end of the year.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: December 2017   **Priority Rating:** Medium

C2.3   Leave management

A National Staff leave monitoring table is maintained by the HR assistant and reviewed by the HR Officer. The audit assessed the monitoring tool and sampled leave requests. The following was noted:

- The leave monitoring table presents a high risk of mistakes due to manipulations, considering the numerous changes of contracts end date (various extensions). Further, the reconciliation of leave balances is only performed at the end of the contract;

- The leave balances do not distinguish the different types of leaves, such as annual leave, compensation leave, sick leave, etc;

- According to the National Staff Regulations, annual leaves can be exceptionally carried forward after February Y+1 only if justified by the needs of the operation. However, the practice of leaves being carried forward was missing documented justification;

- The leave request forms were not systematically available on the HR files and there was inconsistent practice among the staff regarding the use of MyHR system to request for leaves;

- Leave request forms are stored in a separate leave request file for all staff and not in individual HR files, making the follow-up of carried forward balances more challenging;

- The staff leaves are not monitored with a calendar system by the different units, neither an acting person was designated.

Risk(s): Inefficiency; Ineffectiveness
Cause(s): Compliance; Oversight/Guidance

Recommendation 17

a) Ensure that MyHR system (for Delegates) and leave forms (for national staff) are used when requesting leaves;

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b) Perform a full reconciliation of the leave monitoring sheet to ensure that this matches with the staff leave requests. Furthermore, ensure the monitoring sheet makes a distinction between the different type of leaves;

c) Ensure any carry forward leaves are properly justified and documented;

d) Ensure national staff leave request forms are archived in each individual HR file and ensure balances are accurately filled from one form to the next form;

e) Encourage each unit to monitor leaves with a calendar system and remind Heads of units to designate acting person, when required.

Management Action Plan:

a) Agree. This is done regularly for Delegates, but it has been less constant with National Staff. It will be applied in the future.

b) and c) Agree. Recommendation has been implemented. A data base was created to record every information regarding staff leaves monthly. This way we can instantly provide balance of staff leaves as needed. Follow up are made to confirm that the leave signed by staff are taken.

d) Agree. A file containing leave information was available for the whole staff. Now we are completing each staff file with their own leave data.

e) Agree. We send leave balance and the estimate cost if staff does not take leave to each manager (as this cost is not budgeted) and request them to encourage their staff to take their leave. HR Officer is following up with each Unit team leader to ensure the monitoring is performed.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

C2.4   Payroll and remuneration

Payroll process

The HR assistant compiles the monthly payroll documentation and the Senior HR Officer enters the data into the system after review. The Finance Senior Officer then reviews the payroll reported data and validates prior to payment. However, it was noted that the Senior HR Officer is the only one in the Delegation knowing how to enter data into the payroll software. Consequently, at least in one occasion, the office faced a delay on the payroll processing due to the absence of the Senior HR Officer.

Risk(s): Inefficiency; Legal Liabilities
Cause(s): Oversight/Guidance

Recommendation 18

Train one additional staff in payroll processing and in the use of the payroll software, to ensure continuity in case of the absence of the Senior HR Officer.

Management Action Plan:

Agree. The HR Officer is engaging with the head of the finance department to ensure a person in the finance team is trained on the payroll software.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

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C2.5   Labour law, staff regulations and contracting

National Staff Regulations

The current National Staff Regulations have been approved by the previous Head of Office, in November 2014. However, as per requirement, these regulations should be thoroughly checked against national labour legislation by a specialist in Haitian labour law, prior to its dissemination. The auditors were not provided with any evidence that the National Staff Regulations have been revised by a local legal advisor.

Contracting

Upon a sample review of national staff contracts, the following was noted:

- The Head of Country Cluster (HoCC) is not signing or approving any HR contracts; all the contracts have been signed by the respective staff and the HR officer;

- The probation period is not updated/adapted to the length of the contracts; it has been noted cases where the probation period was 3 months while the contract itself lasted 3 months, or less;

- The contract does not refer to the National Staff Regulations, as required by the approved National Staff Regulations.

Risk(s): Inefficiency; Legal Liabilities.
Cause(s): Compliance; Oversight/Guidance.

Recommendation 19

a) Submit the National Staff Regulations to a local legal advisor for review, to ensure there are no inconsistencies with national labour laws;

b) Ensure that all contracts are signed by the HoCC. Prior to that, HR unit should proceed a thorough review of the contract terms to make sure they are completed and aligned with the National Staff Regulations.

Management Action Plan:

a) Agree. As mentioned before in recommendation 3, the tender for a retainership is initiated and an agreement with a local legal advisor/consultant is on-going;

b) Agree. Please refer to management action plan under recommendation 15.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: September 2017   **Priority Rating:** High

C2.6   Personnel Files

Standard filing system

The Personnel Files are not indexed and organised according to the IFRC standard filing system.

Review sample

A sample test of 9 HR files was performed. The following documentation was not found:

- 1 job description
- 2 Signed Code of Conduct
- 6 Signed IT Acceptable Use Policy
- 8 Latest Performance appraisals

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- All the updated leave requests

Confidentiality and storage

Recruitment information is currently kept with each personnel file, including results of interviews from other candidates. Furthermore, the physical personnel files are supposed to be stored in 2 locked cabinets in the HR office, but one of the two cabinets had a broken lock.

Risk(s): Inefficiency; Legal Liabilities.

Cause(s): Compliance; Oversight/Guidance.

Recommendation 20

a) Review and update personnel files to ensure that they contain all required information. Adopt the IFRC standard filing system, and/or the one suggested by the National Staff Regulations, to ensure the completeness of the files. As per IFRC standards, the documentation related to recruitment should be filed separately from the personnel files, to ensure confidentiality of information;

b) Ensure personnel files are kept in a safe and secure place at any point in time. Fix the broken lock or transfer the physical personnel files to a lockable cabinet.

Management Action Plan:

a) Agree. Files are being reviewed and updated.

b) Agree. This recommendation has been implemented.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

C3	ADMINISTRATION

C3.1	Administrative policies and procedures

Nothing to report.

C4	ASSET AND INVENTORY

C4.1	Asset/inventory management and safeguarding

IT Telecom - Inventory

The Office keeps two separate IT inventory lists. One is kept in Port-aux-Prince (PAP) office and a second is kept by the IT officer in Jeremie (for IT equipment used in the sub-offices of Jeremie and Anse d'Hainault).

A physical count in Jeremie and an inventory list sample check in PAP were performed by the auditors, with the following findings:

- In Jeremie Office, one laptop listed was not found and another laptop was not registered in the IT list. This is because the list(s) indicate the initial location of the equipment when those are given to the staff, but not reconciled with the final location where/when the equipment is returned. Though both IT officers from PAP and

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Jeremie have access to the lists via the shared drive, there is no regular reconciliation performed to ensure the accuracy and completeness of the lists, increasing the risk of mistakes, misplaced equipment and/or double register;

- Some printers and other telecom equipment was not registered in PAP IT inventory list.

The IT inventory lists are not properly referenced and they are not prepared and handled consistently (unlike the inventory list kept by the administration unit for other assets). Furthermore, the auditors were not provided with any evidence that an inventory count has been performed by someone independent from the IT Officers - the officer responsible for the inventory list also reviews, performs the physical count, reconciles and reports on it.

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

Cause(s): Oversight/guidelines

Recommendation 21

a) Establish a consolidated list of IT assets/inventory which includes items held in various field locations, and establish processes to ensure that consistent controls are applied;

b) Review the inventory register on a regular basis to ensure it is accurate, complete, and consistent in the information it contains;

c) Perform and document a physical verification of the IT inventory items at least twice per year, which is signed by two people (one of them independent from the IT processes). This should include reviewing the laptops kept in storage.

Management Action Plan:

a) Agree. This is being implemented.

b) Agree. This is on-going, and a random check is made to ensure all equipment is accounted for.

c) Agree. This is noted and a random person will be chosen to conduct a secondary review and cross check inventory.

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

C5	INFORMATION SYSTEMS

C5.1   IT management

IT Security Management

IT security management practices are not consistent with IFRC rules and regulations. The following was observed:

- When asked, the IT Officer confirmed that unauthorised software is regularly downloaded by staff into their IFRC laptops. However, such findings are neither documented nor formally reported by the IT Officer to management;

- Some staff do not change the standard IFRC password to access their laptops despite reminders from the IT Officer;

- The Server is dated from 2003 and it is functional. However, its performance and security (e.g. centralised log-in system through active directory) could be improved through an upgrade. The estimated cost of an upgrade is approximately CHF 1'500.

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Leaders - Copy and backup files

When ending their mission/contract, staff are supposed to return their laptop and copy/back up their working files to the server. However, this is not happening consistently. Consequently, relevant information is easily lost or difficult to retrieve. More than one interviewed staff confirmed they were unable to retrieve or find relevant files/information which should have been electronically archived by previous staff.

Risk(s): Asset/financial loss; Ineffectiveness

Cause(s): Oversight/guidelines; Organisational culture

Recommendation 22

a) A reminder is sent to all staff regarding the IT user policy. Furthermore, any unauthorised software downloaded by staff is documented by the IT officer and reported accordingly to management;

b) Consider updating the Server, to improve security and enable a centralised log-in system through active directory, forcing staff to change their password;

c) Establish a process to regularly remind staff to copy their working files into the share drive/server and monitor compliance. Ensure that all laptops returned by staff, when terminating their contract, are scanned through, to identify any related issues.

Management Action Plan:

a) As per the recommendation of the Auditors, a reminder will be sent to all staff regarding IT user policy. A random review will be conducted (in a case by case manner) to identify any unauthorised software and reports will be prepared accordingly.

b) The update of the server (hardware and software) is on-going (quotations ready).

c) A list of files and folders should be prepared by all staff and reviewed and approved both by upper management and IT officer**.**

Risk Owner: Head of Cluster (Haiti, Dominican Republic, Cuba)

Due Date: October 2017   **Priority Rating:** Medium

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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 *reasonable assurance* 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 *likely to provide reasonable assurance* that risks are being managed to achieve objectives.
Numerous/major improvements needed	Numerous/major specific control weaknesses were noted. The controls evaluated are *unlikely to provide reasonable assurance* that risks are being managed to achieve objectives.
Significant/critical improvements needed	The controls evaluated are not adequate, appropriate, or effective and *reasonable assurance cannot be provided* that 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.

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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